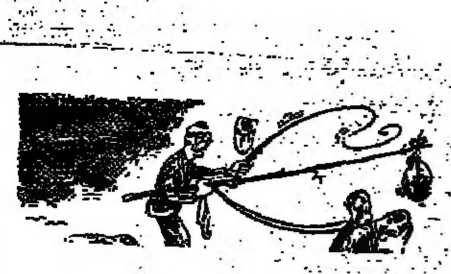

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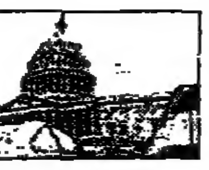

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NEWSPAPER OF THE YEAR

# FINANCIAL TIMES

Monday April 13 1992 — EUROPE'S BUSINESS NEWSPAPER — D 8523A


## City of London will try to work on despite bomb

Almost every City of London company affected by Friday's massive IRA bomb is expected to be functioning today despite widespread structural damage.

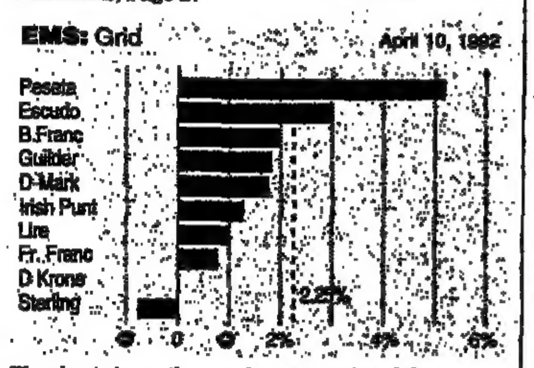
At least two buildings face demolition, but over the weekend most companies arranged alternative office space. British Telecom worked to divert telephone services and provide lines and equipment for companies forced to relocate. Three people were killed by the bomb and 91 injured.
Page 9

**Japanese banks:** A report by a London-based credit rating agency says the drop in Tokyo equity prices has left many Japanese banks short of international capital adequacy standards which come into full force next year. Page 17

**European monetary system:** Sterling failed to breach the DM2.8870 barrier on Friday and remained glued firmly to the foot of the EMS table, despite gains made on the back of the Conservative party's election victory. On Friday, dealers said the pound's gains had been limited by the prospect of a cut in British interest rates and profit taking.

The peseta – at the top of the system and, until recently, at its ceiling against the pound – moved up in sympathy with the British currency. Currencies, Page 27

**EMS:** Grid — April 10, 1992




*The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Portuguese escudo and the Spanish peseta operate within 6 per cent bands.*

**Dinar devaluation:** Yugoslavia's federal government is devaluing the dinar by 57.5 per cent today to try to curb soaring inflation. The move comes after Friday's announcement by the country's national bank that it would be seeking to reschedule its $15bn debt. Page 16

**Bosnian truce deal:** Leaders of Bosnia-Hercegovina agreed to a ceasefire from midnight last night in the warring former Yugoslav republic. The deal was arranged by European Community envoy Jose Cutilheiro. Page 2

**Lloyd's of London** may set up a fund to allow loss-making Names – individuals who underwrite the insurance market – to continue trading. Page 17

**Iranian election:** Moderates seemed to be heading for a substantial win in Iran's parliamentary elections, giving President Akbar Hashemi Rafsanjani backing for economic reform and closer ties with the west. Page 4

**Japanese politician murdered:** Shinjiro Yamamura, parliamentary budget committee chairman of Japan's ruling Liberal Democratic party, was found murdered early yesterday. He had been stabbed in the neck and chest. His 24-year-old daughter was detained. Page 4

**Saudi Arabia arms deal:** Five Saudi banks are to lend the country SR10bn ($2.63bn) to help pay for its al-Yamamah defence deal with Britain. The money is due to be drawn in four fortnightly tranches starting today. Page 5

**Sulzer**, the Swiss engineering group, disclosed a 23 per cent drop in net consolidated earnings to SFr119m ($78.8m) from SFr155m in 1990. Sulzer blamed the drop in profits on serious losses at its weaving machinery division. Page 19

**Scowcroft warns on Iraq:** White House national security adviser Brent Scowcroft said Iraq's installation of anti-aircraft missiles in northern Iraq was "ominous" and refused to rule out a military response.

**La Cinq** staff gave up hope of finding a last-minute saviour for the bankrupt private French TV station and prepared to close at midnight last night. Italian magnate Silvio Berlusconi last month gave up a rescue bid.

**Euro Disney launch:** Pressure of crowds forced the giant Euro Disney theme park outside Paris to open half an hour earlier than planned on its first day yesterday. Page 3

**Etna lava edges closer:** Lava from Sicily's Mount Etna volcano rolled to within yards of houses in the village of Zafferana, spilling over a second earth barrier put up by Italian soldiers.

**Al Capone auction:** Items that once belonged to gangster Al Capone go under the hammer in Chicago on Wednesday. The catalogue of auctioneer Leslie Hindman describes furniture to be sold as "suitable for the royalty of the underworld."

**Traffic jam:** A road accident in central Nigeria led to a 7,000-vehicle traffic jam lasting from Friday until yesterday. "I have been here for 20 hours", Lagos clerk Raphael Kola, said yesterday. "It is rather like a carnival but there is no food".

**London marathon:** The 12th London Marathon was won by Portugal's Antonio Pinto in a time of 2 hours 10 minutes.

# Kinnock to quit after election defeat

**By Ivo Dawnay, Ralph Atkins and Philip Stephens in London**

MR NEIL KINNOCK, the UK opposition Labour party leader, will today announce that he will not seek a further term as leader. Mr Roy Hattersley, his deputy, has also decided not to stand again.

Their decision, in the wake of the party's fourth successive general election defeat, is expected to pitch Mr John Smith, the shadow chancellor and favourite, against Mr Bryan Gould, the shadow environment secretary, in a battle for the leadership.

Several other possible contenders are understood to have opted not to run after it was clear that Mr Smith had already received firm pledges of support from many leading Labour MPs and trade unions.

A fierce battle may arise for the deputy leadership, which Mr Gould may also contend alongside Mrs Margaret Beckett, the shadow chief secretary to the Treasury, and possibly Mr John Prescott, the party's leftwing transport spokesman.

In the aftermath of the election, Mr John Major, the prime minister, has put government support for British industry at the centre of his strategy with the appointment of Mr Michael Heseltine to head an enlarged Department of Trade and Industry.

Mr Heseltine's move, part of a weekend cabinet reshuffle which saw Mr Norman Lamont confirmed as chancellor of the exchequer, was described by Whitehall officials as an attempt to make Mr Major's administration more "industry-friendly".

The reshuffle, the first real opportunity Mr Major has had to stamp his authority on the cabinet since taking over from Mrs Margaret Thatcher 16 months ago, saw a large-scale redistribution of cabinet responsibilities.

Mr Kenneth Baker, the former home secretary, and Mr Tom King, the former defence secretary, were among four ministers losing their jobs. Among the newcomers, Mr Michael Portillo, an unapolgetic Thatcherite on economic policy, takes charge of public spending as the new chief secretary to the Treasury.

The new cabinet line-up, with Mr Kenneth Clarke promoted to home secretary and Mr John Patten to education, signals Mr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## Parliament threatens to limit cabinet's powers and weaken reforms

# Russian government may quit

**By Leyla Boulton in Moscow**

THE RUSSIAN government is expected to decide today whether to resign after a weekend vote by parliament threatened to hobble its market reforms and limit its powers.

Mr Yegor Gaidar, the first deputy prime minister, yesterday threatened to quit with his team of economic reformers unless an 11th hour compromise, worked out with parliamentary leaders yesterday, is adopted by the Congress of People's Deputies.

The compromise resolution, due to be put to a vote today, frees the government from having to make specific policy changes which had been demanded by parliament on Saturday. But it leaves untouched a three-month deadline parliament gave itself to produce a new law on how the government is appointed – giving it the right to sack the cabinet.

A spokesman for Mr Gaidar said last night that parliament's long list of policy demands, including the indexation of savings to inflation, was unrealistic, contradictory and would cost as much as Rbs1,500bn.

"The three-month deadline is unpleasant but we can live with it," said the spokesman. "What we cannot take responsibility for are these policy changes demanded by parliament."

The Congress of People's Deputies' decisions in effect gave the government three more months in office and demanded changes which Mr Gaidar described as "the death of any hopes of serious co-operation with the outside world in healing our economy".

"If you try seriously to put into effect what the Congress agreed today ... you must understand that this is the road to the collapse of the financial system," Mr Gaidar said on Saturday. Mr Alexander Shokhin, a vice-premier and another reform architect, said a $24bn western aid package for Russia to assist the switch to a market economy now "hung by a thread". President Boris Yeltsin's supporters said after the vote that the Russian leader may call a referendum on whether the country wanted presidential government rather than a weak parliamentary system. The issue has yet to be decided because Russia has not adopted a new constitution.

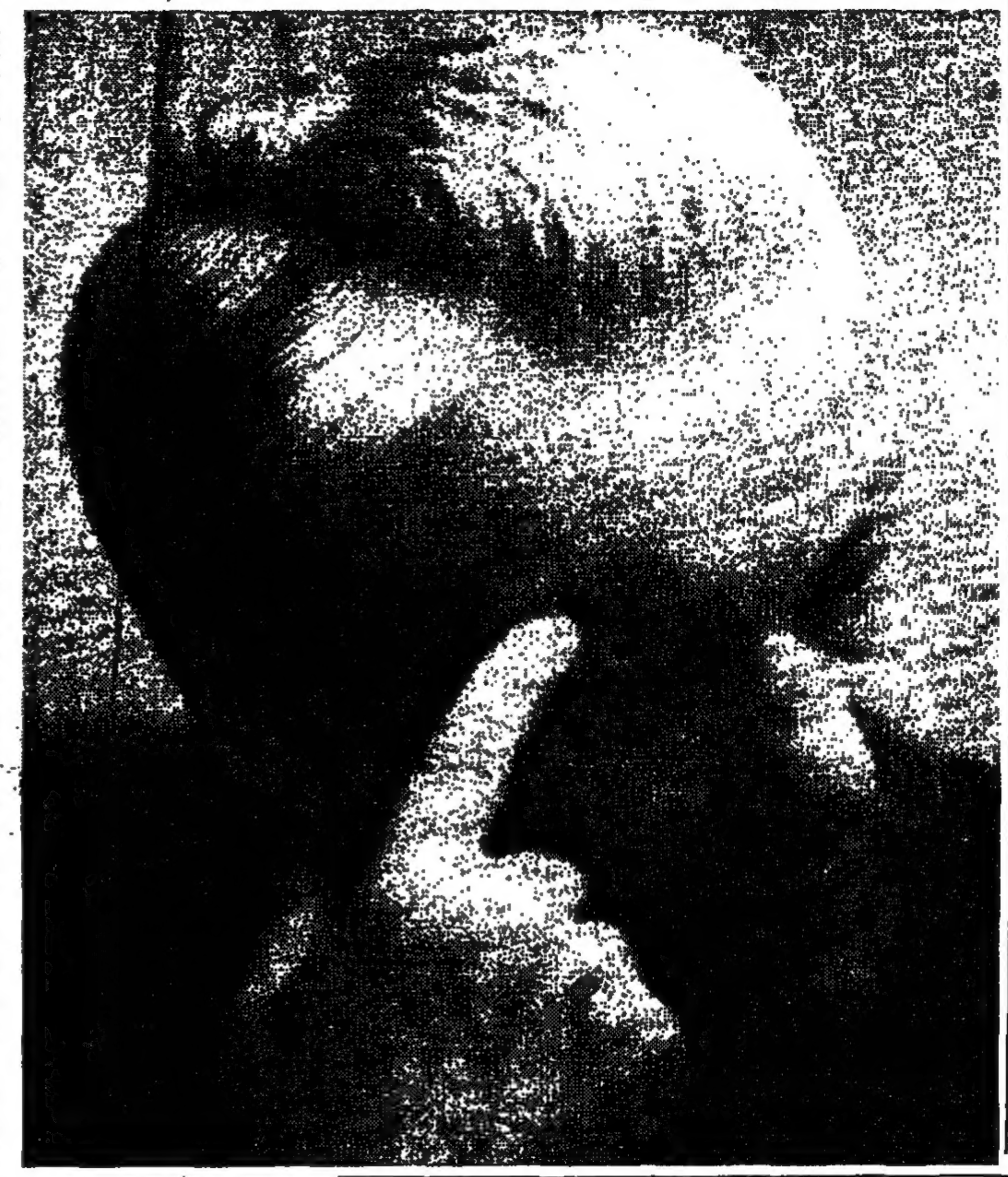
Only on Friday evening, the government was set to celebrate its survival with a series of successes for Mr Yeltsin earlier in the day. After giving up a demand that the government redraft a reform plan worked out with the International Monetary Fund, parliament also appeared set to agree to Mr Yeltsin's request that he retain the premiership and the right to name the cabinet until the end of the year.

But Mr Yeltsin appears to have made a mistake in not staying on for all of Saturday's session to make sure the voting went his way. After a vote of no confidence in the government was easily defeated on Saturday morning, Mr Yeltsin's request to retain the premiership and the right to name the cabinet until the end of the year fell 39 votes short of the 531 needed.

Parliament then went on to approve by 683 votes to 123 an amendment saying it would adopt a law on how the government should be chosen within three months.

● The former Soviet Union's four nuclear republics have failed to agree on a joint ratification of the Start treaty, agreed with the US before the Soviet Union collapsed, to cut long-range nuclear arsenals.

The disagreement centred on Ukraine's refusal at weekend talks in Moscow to recognise Russia as the Soviet Union's heir with respect to the treaty. It said it wanted to take part in the ratification of the bilateral treaty as a separate third party. It is now either up to Ukraine to change its stance, or for the US to agree to redesign the treaty.



**Boris Yeltsin (above) listens to weekend speeches in the Russian parliament, where deputies voted to curb his presidential powers after a three-month deadline**

## German growth estimates halved

**By Christopher Parkes in Bonn**

THE BUNDESBANK should cut interest rates later this year to help pull western Europe from the grip of recession and, as a result, stimulate the stagnating economy at home, according to Germany's leading independent economists.

Halving their estimates for real west German growth this year to only 1 per cent from their 2 per cent forecast made last autumn, they say that even this improvement depends mostly on a real freeze in state spending and moderate pay settlements. Growth last year was 3.1 per cent.

With national debt financing costing an estimated DM100bn ($60.6bn) this year, the experts propose fiscal sanctions against Länder (states) and local authorities which raise spending by more than inflation.

In a report to be presented to the government this morning, the country's five main economic institutes base their modest hopes on rising consumer spending at home and increased economic activity in Japan and the US.

However, they add, even though the latest data seem to suggest the German economy may be stabilising, "it is not clear if the downturn will continue or if the turning point has been reached."

Other western European countries, important export markets, could be stimulated only by "a considerable reduction in German interest rates", the report says.

They expect capital market interest rates to fall in the second half, and then "the Bundesbank should not hesitate to reduce its lead interest rates".

The independent, Frankfurt-based central bank is the dominant force in European Community monetary policy. Its rigid position on interest rates, underlined last December when it raised its discount rate to 8 per cent and the Lombard rate for lending to banks to 9.75 per cent, has been widely blamed for holding back recovery in Britain, France and other Community countries.

Although cuts have been generally expected for this autumn, optimism has wavered recently as fears of inflationary German


Continued on Page 16


# O&Y to reassure banks over $4bn debt rescheduling plan

**By Bernard Simon and Robert Peston in Toronto**

OLYMPIA & YORK, the cash-strapped property developer, will today ask its banks for some £350m ($602m) of new funds for London's Canary Wharf project and concessions on US$4bn of existing debt.

In presenting a debt restructuring plan, the group will assure the banks that they should eventually get all their money back once property markets recover. But it will warn that opposition to the restructuring plan may cause them enormous losses.

O&Y officials, led by newly appointed financial adviser Mr Steve Miller of the New York investment bank James D. Wolfensohn, will present the proposals to representatives of about 100 North American, European and Far Eastern banks in the ballroom of Toronto's Sheraton Hotel.

Discussions will also take place over the next two days with smaller groups of banks.

O&Y, which is privately owned by Canada's Reichmann family, is expected to disclose that its debts total just over US$15bn. Of that amount, about $3bn is debt of non-property subsidiaries, such as Abitibi-Price, the newsprint maker, and Gulf Canada Resources, oil and gas producer.

The slump in property markets has slashed O&Y's estimate of its total equity from a peak of C$11bn (US$9.2bn) in 1988 to C$5bn-C$5.5bn.

From being relatively conservatively financed, with a debt-to-equity ratio of about 50 per cent, the company's debt ratio has moved up to 75-80 per cent. It has also run out of cash.

O&Y will urge the banks to leave most of the debt in its vast real estate empire outside the restructuring net. With the exception of Canary Wharf and a handful of North American buildings, it maintains that cash flow from its buildings is adequate to meet debt servicing obligations. It will also argue that including these projects in the restructuring might endanger their smooth operation, and thus their asset value.

More than two thirds of the $4bn debt at the core of the restructuring has been provided by a group of 10 banks, led by Canadian Imperial Bank of Commerce, Citicorp of the US, Hongkong and Shanghai Banking Corp, three other Canadian banks and one Japanese bank.

The proposed £350m financing for Canary Wharf is required for work over the next two years to ensure that the Docklands project is attractive to prospective tenants. It also includes O&Y's initial contribution to the Jubilee Line extension, although the company is expected to try and renegotiate that commitment.

Mr Paul Reichmann, O&Y's chief strategist, is expected to devote more time to Canary Wharf. Day-to-day operations in North America will be left in the hands of a new president, who is likely to be appointed within the next week or two.

Mr Tom Johnson, the US banker who left the company after only two weeks as president, has indicated that he will not be returning to O&Y full time. It has emerged that Mr Johnson's withdrawal was due in part to bank opposition to certain elements of his remuneration package.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| Austria | Sch30 | Hungary | Ft162 | Malta | Lm0.50 | S.Arabia | SR9.00 |
| Bahrain | Din1.000 | Iceland | IKr180 | Morocco | MDh11 | Singapore | S$4.10 |
| Belgium | BFr60 | India | Rs20 | Neth | Fl 3.50 | Spain | Pta200 |
| Cyprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira20 | Sweden | SKr14 |
| Czech | Kcs35 | Israel | Shk5.50 | Norway | NKr15.00 | Switz | SFr3.00 |
| Denmark | DKr14 | Italy | L2500 | Oman | OR1.20 | Thailand | Bht50 |
| Egypt | E£4.00 | Jordan | JD1.20 | Pakistan | Rs35 | Tunisia | Din1.000 |
| Finland | FM10 | Korea | Won 2500 | Philippines | Pso45 | Turkey | L6000 |
| France | FFr8.00 | Kuwait | Fils.500 | Poland | Zl 18,000 | UAE | Dh8.00 |
| Germany | DM3.30 | Lebanon | L£1,250 | Portugal | Es190 | | |
| Greece | Dr250 | Lux | LFr60 | Qatar | QR10.00 | | |

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# Bosnian leaders agree on ceasefire

By Laura Silber in Belgrade

LEADERS of Bosnia-Hercegovina yesterday agreed to a ceasefire from midnight last night among the warring ethnic groups in the former Yugoslav republic.

Moslem, Serb and Croat leaders agreed terms during peace talks brokered by Mr Jose Cutilheiro, the European Community envoy.

The agreement called for an end to mobilisation and the disbanding of all paramilitary groups to be carried out under the control of EC monitors, according to Tanjug, the Belgrade-based news agency.

It called for "all activities which endanger the safety of citizens" to be stopped within 24 hours. These include "the cessation of sniper reconnaissance, the search of flats, the withdrawal of all artillery weapons" – to be placed under the control of EC monitors.

It was unclear yesterday whether any group had the authority to force the numerous paramilitary groups to comply with the orders to disband.

Fighting in the republic appeared to abate yesterday but many feared it would resume when EC officials left Sarajevo, the capital. Croatian television reported that irregular forces in Bosnia shot down a Yugoslav air force jet and Radio Sarajevo said there had been clashes in several towns in the eastern part of the republic, on the frontier with Serbia.

Dozens of people have been killed in fighting throughout the republic following the international recognition of Bosnian independence. Moslems, who make up 44 per cent of the nearly 4.4m population, and Croats, 17 per cent, support independence, while the Serbs, accounting for 31 per cent of the population, are against. They want to remain in a federation with Serbia, and the smaller republic of Montenegro, a close ally.

Tens of thousands of refugees, mainly Moslems, have been fleeing into the countryside from towns where the violence is worst.

The accord stipulates that refugees should be allowed to return to their homes. Representatives of the United Nations High Commissioner for Refugees at the weekend said the rival ethnic leaders had signed an agreement promising humanitarian treatment for refugees.

The agreement also states that territorial changes made by force would not be recognised. This appeared to be aimed mainly at Serb paramilitary groups and the federal army. Serb irregulars on Friday seized control of Zvornik, a predominantly Moslem town in northeastern Bosnia.

The accord calls for talks to resume on the division of Bosnia, which the Moslems oppose. However, Mr Radovan Karadzic, a leader of Bosnia's Serbs, said earlier yesterday: "We reached an agreement to start redrawing the map of Bosnia-Hercegovina very soon."

# 'Informer' allegations hit Stolpe

By Leslie Colitt in Berlin

MR Manfred Stolpe, east Germany's most prominent politician, fought to survive as the Social Democratic (SPD) prime minister of Brandenburg state in the face of fresh evidence claiming he was a key informer for the former Stasi state security police.

A 61-page report by the official German commission administering the Stasi files concluded that Mr Stolpe was for nearly 20 years an important Stasi informer on the Protestant church, of which he was a senior lay official.

The report was based on accounts by three Stasi officers of conversations Mr Stolpe allegedly had with them. He was known to the Stasi by the code-name of "Secretary".

The Christian Democratic (CDU) coalition partner of Mr Stolpe called on him to relinquish office until the "severe" charges against him were clarified. The SPD in Bonn said the report contained nothing substantially new, but Alliance 90, Mr Stolpe's smallest coalition member, said it was a "strong case" against him.

Mr Stolpe, however, said he saw no reason to step down. He emphasised that he was never an informer.

An all-party committee in Potsdam has been examining the media accusations against Mr Stolpe which surfaced this year and was given the report last Friday. Mr Stolpe himself volunteered the information about his previous Stasi contacts several months ago.

As superintendent of the Berlin-Brandenburg church, he helped gain the release of countless east Germans from prison. He also aided in the reuniting of thousands of east Germans with their families in the west.

Stolpe (right): fighting to survive

# US set to block EBRD expansion in east Europe

By Nicholas Denton and Judy Dempsey in Budapest

THE US is set to block the drive by the European Bank for Reconstruction and Development for an expanded role in eastern Europe, at the first annual meeting of the Bank beginning in Budapest today.

Mr Nicholas Brady, US treasury secretary, yesterday categorically rejected proposals by Mr Jacques Attali, EBRD president, to relax the bank's stringent commercial criteria for investments and set up a facility for soft loans.

"That would be a diversion of the EBRD's efforts," said Mr Brady. He called on the bank to maintain its focus on promoting private enterprise and commercially viable projects. "Economic restructuring would not be advanced by the EBRD adding a pittance of a soft-loan programme."

Mr Attali raised the idea of loans on easy terms as a response to the EBRD's growing realisation over its first year of operation that suitable investment projects are scarce. The EBRD's room for manoeuvre has proved limited – on the one hand by the requirement to support only commercially viable projects, and on the other by the rule that it should not act as a substitute for private investors.

Mr Attali said in a recent interview: "The bank has more money than it has projects." The EBRD committed about Ecu500m ($620m) to credit and equity financing in its first year, a sum which is expected to double and then redouble over the next two years.

Mr Attali is today proposing the creation of a subsidiary institution within the EBRD for soft loans in order to circumvent the rule that 60 per cent of its investments should be in competitive private sector projects.

EBRD officials also saw soft loans as a means of promoting the smooth conversion of military industries. "We have to take into account that the military-industrial sector is huge and still employs a vast labour force," said Mr Mario Sarcinelli, vice-president and head of the EBRD's development arm. "This sector cannot be converted overnight. An abrupt and radical recipe would have unforeseeable consequences."

The emphasis on conversion of military industry follows the bank's increased focus on the former Soviet Union. The country's disintegration into separate republics also raised the membership of the EBRD to 55.

Support for Mr Attali from several west European delegations sets the scene for a sharp dispute with the US at today's meeting of the EBRDs board of governors. Mr Brady's uncompromising remarks could spark a revival of the tension between the US, the EBRD's largest shareholder, and some European countries, which soured the bank's inception.

Mr Brady's remarks came against a background of criticism that multilateral financial institutions such as the EBRD, World Bank, International Finance Corporation and International Monetary Fund were still tripping over each other in efforts to help eastern Europe out of economic crisis. "For them all to do each others' jobs is not the way to go ahead," agreed Mr Brady.

However, EBRD governors have repeatedly stated that its relations with the other international institutions have improved.

# Quiet relief at Tory victory's likely effect on labour costs

## Some EC governments may be glad of an excuse to slow the growth of costly employment laws, writes **David Goodhart**

**THE EUROPEAN MARKET**

THE Conservative victory in last week's UK election may have been greeted with quiet relief in the more cautious European labour ministries.

A Labour victory should have been more to their liking. Labour was committed to scrapping the Conservative government's opt-out from the Maastricht social chapter, which extends the scope of EC employment legislation, and pushing UK industrial relations closer to Europe's more legalistic mainstream.

It is likely that even in a more liberal Conservative administration the British opt-out will prevail (possibly amended to allow UK participation in some aspects of the social chapter).

On the one hand, Britain's 11 EC partners, which have signed the social chapter, have had fears that the opt-out would give UK employers an unfair advantage by not having to implement EC-wide minimum rights at work.

But with the EC moving into a period of slower growth, some EC governments might be glad of an excuse to reduce the growth of potentially costly EC employment legislation.

The Maastricht social chapter gives the 11 the freedom to move ahead in the employment field without the UK, but several are likely to argue that until the UK can be persuaded to join in, changes should be limited. In other words, a Conservative victory continues to allow other EC governments to pay little more than lip-service to "social Europe", if they choose to do so.

Nonetheless, the UK is likely to remain one of the cheaper countries in the EC, provided it maintains relatively low non-wage labour costs, according to a recent study for the London Economics group by Professor Doug McWilliams, an adviser to the Confederation of British Industry. A Conservative government maintaining the social chapter opt-out makes such a prediction more than likely.

The study predicts wage and salary levels in Europe will converge less rapidly over the next 20 years than they have over the past 20.

Spanish wages in 1970 were 29 per cent of those in Germany: in 1990 they had risen to 66 per cent, to the study said.

What will happen over the next 20 years as the European economies grow closer together but labour mobility remains restricted by cultural and linguistic barriers?

Wage volatility will relent, according to Professor McWilliams, thanks to harmonisation of inflation levels and there will be strong pressure for unit labour costs to increase no faster than the rate in the leading EC economy, Germany.

There will also be some further wage convergence, but without significant movement among the three broad categories that Professor McWilliams defines: the high-wage zone of Germany, Belgium, Denmark and the Netherlands; the middle-wage zone of France, Britain and Ireland; and the low-wage zone of Italy, Greece, Portugal and Spain.

In the high-wage zone, the only significant change predicted is that German wages will fall from 125 per cent of the EC average in 1991 to 115 per cent in 2010, as a result of integrating eastern Germany. In the middle-wage zone Ireland's position will move from 92 per cent of the average to 100 per cent. In the low-wage zone, Spanish wages will rise slightly and Greek and Portuguese wages will rise from 45 and 36 per cent of the average to 62 and 57 per cent.

Widely varying non-wage labour costs – such as unemployment or health insurance paid by employers – complicate the picture. Only three EC countries – the UK (41 per cent), Ireland (44 per cent) and Denmark (22 per cent) – keep non-wage labour costs below 60 per cent of wage costs.

Some of the measures proposed in the EC's social action programme, such as improving minimum maternity leave, could directly increase non-wage labour costs in those countries where the EC proposal is more costly than the existing national minimum.

Other measures, such as European works councils for multinationals or controls on weekly working time, do not necessarily add significantly to non-wage labour costs. But for a country such as the UK, the short-term organisational cost of adapting to more regulated European norms, as embodied in the EC's social action programme, would be quite high.

In 1990 UK wages were 8 per cent above the EC average but non-wage labour costs were very low, and overall labour costs were 12 per cent below the EC average.

The UK will still be under pressure to conform to some EC norms. Despite the opt-out, bigger UK companies which operate in other EC countries will be affected by some social chapter legislation such as provision for works councils.

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# Spanish government struggles to repair damage of inflation data leaks

By Peter Bruce in Madrid

THE SPANISH government is trying to repair the damage to its reputation in international bond and money markets amid evidence that its monthly inflation data is being leaked days before being officially announced.

Analysts and traders, particularly in London, have been angered by what they see as the Spanish authorities' lax attitude to the leaking of the figures and about what some market professionals believe to be market manipulation by official institutions.

On Friday an unsigned article in a Madrid newspaper close to the finance ministry suggested some officials at the national statistics institute (INE) had been sacked for leaking information and that the numbers were once again "absolutely secret".

But late last week, the ministry also conceded it was still "trying to find out how" the US financial service, Telerate, had delivered the official inflation figure up to 40 minutes before its main market rival, Reuters, for the past four months.

Bond dealers in London say remarkably accurate rumours about the Spanish inflation figure – well wide of market expectations – circulated in the City and in Madrid a few days before they were formally announced by the INE in November, December and January. Dealers were angered further by inaccurate guidance from both the Bank of Spain and the Treasury last month that the February inflation figure would be much lower than it was.

Before the February consumer price index announcement (in March), dealers bought heavily into peseta debt and the market collapsed just before official publication. The monetary authorities nevertheless had offloaded large volumes of short term debt. This suits Madrid which is loath to sell long-term bonds while interest rates are falling.

In January and February, analysts were expecting high CPI increases in the preceding months and on both occasions rumours began to circulate a few days before publication which predicted much lower CPI rises with complete accuracy. While Spain focuses on bringing inflation under control, the monthly CPI figure is its key economic indicator.

"The December and January data were leaked," said Ms Jan Samols, a bond analyst with UBS Phillips & Drew. "We were getting the leaks four days in advance."

Many analysts in London believe the information has filtered on to the market through an as yet unidentified Madrid broker. Analysts visiting Madrid have complained informally of the leaks and of inaccurate official guidance.

"Everyone knows about the leaks," said the head of the treasury department at a large UK merchant bank. "Last month [with the February CPI] you could have made a lot of money on the bond markets."

Mr Steven Major, senior bond analyst with Credit Lyonnais Euro-Securities, said that by February "things were getting quite bad. People were calling up from Madrid claiming to know what the inflation figures were. It is highly unprofessional." Because some of the accurate leaks have widely contradicted market expectations, they have embarrassed bond analysts, who advise dealers.

The inflation figure does not seem to have been leaked a few days ahead of the March CPI figure, due to be released by the INE this morning, but the market is taking few chances and has remained flat ahead of the announcement.

None the less, it will still be alert to a last-minute leak. Since November, Telerate has beaten Reuters to the figure. Telerate is serviced by one of Spain's most experienced financial journalists, Mr Primo Gonzalez. He has beaten Reuters by up to 40 minutes through what he describes as superior journalistic footwork.

While the finance ministry says it is trying to establish how Mr Gonzalez does this, an official noted that "last time it was only 10 minutes ahead".

"We can move billions of pesetas in a one minute phone call," remarks one bond dealer in London. "The Spanish authorities do not appreciate what is happening here." The INE said Reuters is being beaten because at the moment the CPI figure is telexed to news agencies, its Madrid telex may be occupied.

Telerate though, has been publishing the figure before the INE releases it. Ms Samols says she called the INE to ask for a breakdown of the CPI after she saw it come up on Telerate two months ago. She was told this was impossible because it had not yet been published.

Mr Major remembers the market being heavily bid up the morning the February CPI figure was being published. "Suddenly the currency started to come off sharply and bond yields started to go up," he says. There was still nothing on his Reuters screen and the INE had still not made its announcement.

# Court gives go-ahead to EC-Efta accord

By David Buchan in Brussels

A TREATY creating a 19-country European Economic Area is likely to be signed next month after the European Court of Justice cleared it at the weekend.

The EEA accord, negotiated between the European Community and the European Free Trade Association, was thrown into doubt by an objection from the Court of Justice two months after its conclusion in October. The court said a proposed joint EEA panel of judges would undermine its own autonomy as the Community's supreme court.

EC-Efta negotiators agreed to resolve disputes over the judicial interpretation of EEA laws through a joint political committee, rather than a fully-fledged court.

On Saturday the Community Court said it had no objection to this, but said the committee's decisions "must not be contrary" to its own rulings. This may have to be added to the treaty as a protocol, Efta diplomats said yesterday.

The EEA agreement means the EC is, in effect, extending single market freedoms to 40m Scandinavians, Austrians and Swiss. It will increase trade between the two groups, which are already each other's largest commercial partners, leading eventually to a free flow of goods, capital, services and labour between the groups.

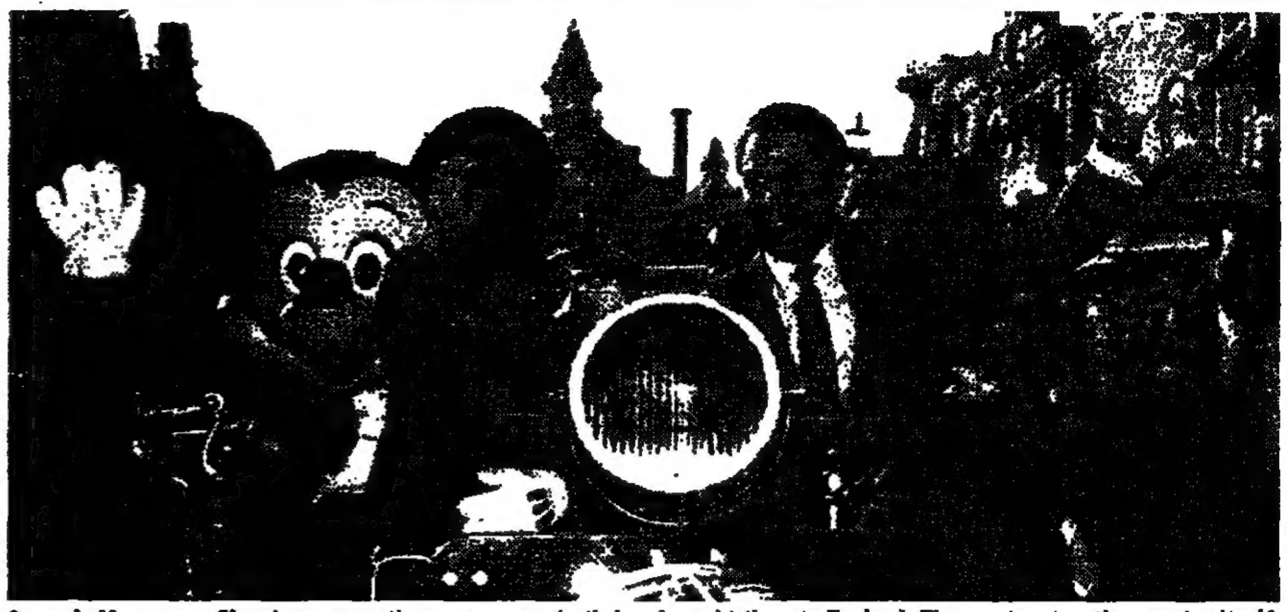
The Efta countries will be able to shape, but not take, EC decisions. They will be consulted at an early stage by the European Commission on forthcoming legislation but they will not have a vote in the Council of Ministers.

However, the agreement has stirred institutional jealousy precisely because it gives Efta countries a kind of half-membership of the Community. After the EC judges, the next group that needs placating are MEPs, who have passed a resolution saying they "will not approve an agreement which would weaken community institutions, and notably the European Parliament, in their legislative functions".

The agreement is due to come into effect on January 1 1993, although its practical effect may be shortlived as three of the six Efta countries – Austria, Sweden and Finland – have already applied for full EC membership.

# Mickey comes home to d'Isigny

By Michael Skapinker in Marne-la-Vallée



THE RAIN stayed away yesterday as Euro Disneyland, Europe's biggest leisure park, opened for business amid a barrage of publicity, including a $10m television Europe-wide advertising campaign capped by a two-hour live broadcast to 30 countries on Saturday night.

The trains which should have carried opening day guests stayed away too, halted by striking railway employees who claim that the extension of the suburban line to the park, 20 miles east of Paris, has created staffing and security problems.

Also absent was a speech of welcome from France's socialist government. Mr Michael Eisner, Disney's chairman, declared the park open, on a cool and hazy day, from a platform halfway up Sleeping Beauty's castle, and is seen (above) escorting a 8-year-old Gorka Gallier, first visitor to the park.

Despite the virulent opposition of some French intellectuals and the apparent reticence of the government, Disney's executives were warm in their appreciation of their host country's efforts.

Mr Roy Disney, founder Walt's nephew, described the park as an emotional homecoming for the family. The Disneys, he said, were French until the Norman invasion brought them to England. The family's name was once d'Isigny, after the town of Isigny-sur-Mer in Normandy.

The company is hoping for 11m customers this year, but queues at the entrance three hours after opening were no more than four or five deep.

As to the park itself, France's anxious intellectuals can probably relax. The idea of Euro Disney as a threat to French civilisation seems a bit overdone when confronted with the reality of a spin on a fairground attraction called Dumbo the Flying Elephant.

# Farm subsidies accord urged

By Frances Williams in Geneva

FURTHER progress is not possible in negotiations on tariff cuts and services liberalisation in the Uruguay Round of global trade talks without a breakthrough on farm subsidies, Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt), will tell negotiators today.

US and EC negotiators will meet again this week when Brussels is expected to put forward new proposals for a farm subsidy accord.

This has raised hopes that agreement could be finalised at an April 22 meeting in Washington between President George Bush, Mr Jacques Delors, president of the EC Commission, and Mr Aníbal Cavaco Silva, the prime minister of Portugal, which holds the EC presidency.

Mr Bush said last week that he was more optimistic about a deal, having learnt that Mr Delors considered the two sides "very, very close".

Though the Easter deadline for completion of the 108-nation Round will be missed, trade officials hope that, if the US and EC can settle their differences over farm trade reform by the end of April, other outstanding differences and technical details of the Uruguay Round agreement could be settled in two months.

This would allow completion of the Round before the end of June.

# Mitterrand launches drive for Maastricht ratification

By Ian Davidson in Paris

PRESIDENT François Mitterrand last night launched his campaign for the ratification of the Maastricht Treaty of European Union, which he described as "a great undertaking for the prosperity of France".

In an hour-long television interview, the president passionately defended his commitment to the European Community, which he claimed was essential for France's future.

"France is our motherland and Europe is our future," he said. He vigorously rejected the idea that the project for European Monetary Union would deprive France of its monetary independence: "Do you think we have it now?" he asked.

The president made clear that the Maastricht Treaty would have to be ratified as it stood, and could be neither modified nor postponed. Ratification would have to be completed in time for the treaty to come into force on January 1 1993, and he hoped that it would be complete by the summer.

He indicated his clear preference for ratification of the Maastricht Treaty by a purely parliamentary procedure in a joint session of the National Assembly and the Senate. However, he held out the possibility of a popular referendum if the joint session looked likely to fall short of the necessary three-fifths majority.

François Mitterrand: "Europe is our future"

Mr Mitterrand's television appearance follows hard on last Thursday's report by the Constitutional Council, which identified three features of the Maastricht Treaty which would require changes in the French constitution before the treaty could be ratified. These three issues all related to different forms of the loss of national sovereignty.

- First, the extension of voting rights in local elections to residents from other EC member states: the problem is that municipal authorities contribute to the electoral colleges of local notables which elect the Senate members, and thus play an indirect role in the exercise of national sovereignty.
- Second, the Community's declared objective of monetary union.
- Third, the Community's policy on the visas required by foreign travellers, which would be decided by majority voting as from 1996.

In theory, President Mitterrand ought to be able to push through these constitutional reforms without great difficulty, despite the opposition of the Communist party and the National Front.

On the other hand, all political calculations in France have become more delicate as a result of his administration's humiliating defeat in last month's regional elections.

The president can certainly count on the support of virtually all the Socialist party, apart from a small nationalist faction led by Mr Jean-Pierre Chevènement, the former defence minister. In addition, he can expect the support of the centre-right UDF grouping.

However, the right-wing Gaullist RPR party has already indicated opposition to local voting rights for foreigners, and a single European currency. It seems unlikely that the Gaullists will oppose the Maastricht Treaty as a whole.

- A majority of the French public would like a referendum on the Maastrict Treaty on European union, according to an IPSOS opinion poll published in yesterday's Journal de Dimanche, reports Alice Rawsthorn in Paris.

In the poll, 66 per cent favoured a referendum, with 24 per cent voting against. Almost half, 48 per cent, said they would endorse the Maastricht summit.

# France sidesteps Kurds issue

By John Murray Brown in Ankara

ON the eve of his first official visit to Turkey, France's President François Mitterrand has moved to stem an embarrassing controversy over his wife's support for the Kurds, signalling his government's backing for Ankara's Kurdish reform programme.

A week ago France, together with other EC members, criticised Turkey's handling of recent Kurdish unrest, in which 100 demonstrators were killed in clashes with security forces. Mrs Danielle Mitterrand, whose human rights group, France Libertés, campaigns for Kurdish rights, is not accompanying her husband.

But French officials are keen the Kurdish controversy should not cloud the Mitterrand visit, the first by a French head of state in 24 years.

He is taking five ministers, including Mr Roland Dumas, the foreign minister, who is expected to initial a new diplomatic protocol. Top of the agenda will be security, in particular Turkey's role in the Caucasus and in north Iraq, where French aircraft are using Turkish bases to provide security for Iraqi Kurds.

In the past four years France has emerged as Turkey's leading investment partner, with French groups taking strategic positions in the Turkish cement, gas and insurance sectors.

## Rafsanjani poised for victory over hardliners

By Colin Barraclough in Tehran

IRAN'S President Ali Akbar Hashemi Rafsanjani appeared last night to have won a significant victory over hardliners in parliamentary elections, allowing him to push ahead with economic reform and stronger ties with the west.

According to early results, with counting completed in most provinces, the president's moderate supporters appear to have won a two-thirds majority over hardliners after last Friday's election to the 270-seat Majlis, or parliament.

While a full tally will not be available until tonight, Mr Rafsanjani's rivals have so far won few seats. Hojatoleslam Ali Akbar Mohtashemi, former minister of the interior and chief among the president's opponents, won only 13,000 votes, putting him well down the list of candidates in Tehran, the capital.

Hardliners held the majority in the outgoing Majlis, which was elected a year before Ayatollah Ruhollah Khomeini's death in 1989.

Voter turnout was low throughout the country, especially in Tehran, in protest at the government's handling of the economy. Recent privatisation and deregulation of the heavily centralised economy have led to soaring prices and an unstable currency. The rial is worth only one-twentieth of its pre-revolutionary value against the dollar.

## HK governor urges early decision over successor

By Simon Holberton in Hong Kong

LORD WILSON, Hong Kong's outgoing governor, has urged Mr John Major, the British premier, to make an early decision on his successor.

Lord Wilson said at the weekend that he hoped his replacement would be named within the next few weeks and that the individual chosen would have knowledge of China and Hong Kong.

Lord Wilson is expected to travel to London by the end of the month for talks with Mr Major and Mr Douglas Hurd, the foreign secretary.

The choice of governor is likely to be one of Mr Major's most difficult appointments. The next occupant of government house is likely to be the person who hands back the UK's last big colony to a communist regime. The job is not seen to be for someone who wants a political career after 1997.

Senior colonial officials are adamant the appointment of a "failed" politician would be detrimental to Hong Kong. Persistent reports from London that Dr David Owen, the former Labour foreign secretary and leader of the Social Democrats, is a favourite for the post worries officials.

The job is demanding and requires a high degree of administrative skill. The governor is one of the last true plenipotentiaries; he presides over a civil service of over 100,000 and possesses wide reserve powers.

In addition, since last September's elections in Hong Kong – which returned 18 democratically elected individuals to the 60 member Legislative Council – politics in the colony has become more fractious and the government has come under greater pressure to justify and explain its policies.

High on the agenda of a new governor will be how to incorporate some of the democratically-elected politicians into his cabinet, or Executive Council. Lord Wilson failed to do this, and it has cost his administration dear.

Trevor Humphries

Lord Wilson: due in London for talks at end of month

## Japanese ruling party shaken by budget chairman's murder

By Robert Thomson in Tokyo

JAPAN'S ruling Liberal Democratic party (LDP) was shaken yesterday by the murder of Mr Shinjiro Yamamura, the parliamentary budget committee chairman who had also played an important role in improving links between Japan and North Korea.

Mr Yamamura, 58, died at his home early yesterday after being stabbed in the neck and chest. Police have detained his 24-year-old daughter; she was receiving psychiatric treatment last night.

The politician was due to leave for North Korea today as part of an LDP delegation attending the 80th birthday celebrations of President Kim Il Sung. LDP members will seek clarity from Pyongyang on allowing international inspection of its nuclear facilities, to which the country has recently agreed.

Mr Yamamura's North Korean connection dates back to 1970, when he offered to fly to Pyongyang in return for the release of passengers aboard an aircraft hijacked by a Japanese terrorist group.

He was first elected to parliament in 1964 and, in spite of being implicated in the Lockheed scandal in 1976, was re-elected nine times, having terms as transport and agriculture minister.

Mr Yamamura was responsible for successfully steering this year's budget through parliament.

● The LDP easily retained a seat in parliament's upper house yesterday in a by-election in which it faced little opposition, AP adds.

Mrs Yasu Kano was opposed only by the Communist party in the election in Ibaraki prefecture. The opposition Socialists did not field a candidate.

## Najibullah to hand over power to neutral council

PRESIDENT Najibullah's Afghan government at the weekend accepted a plan to hand over power to a neutral council and end 13 years of civil war, Reuter reports from Islamabad.

Mr Abdul Wakil, foreign minister, was quoted by the official Kabul Radio as saying the United Nations plan to set up the 15-member council had been "accepted completely".

Mr Boutros Boutros Ghali, the UN secretary general, announced in Geneva on Friday that an agreement had been reached to set up the council of neutral people to precede a full-fledged interim government which must hold elections.

Kabul Radio quoted Mr Wakil as calling Mr Boutros Ghali's announcement "a practical step towards peace and reconciliation". The regime is opposed by hardline guerrillas based in neighbouring Pakistan.

Pakistani Prime Minister Nawaz Sharif said most hurdles in the Afghan peace process had been removed.

A majority of the guerrilla groups were backing the UN plan, he added. "I wish that one or two who are left should respect the majority opinion," he said.

## Australia's main parties defeated in by-election

By Emilia Tagaza in Canberra

AUSTRALIA'S mainstream political parties suffered a sharp defeat in a by-election on Saturday to fill the seat vacated by Mr Bob Hawke, the former prime minister.

More than 30 per cent of the electorate in Wills, a working-class district of Melbourne, registered their anger over unemployment by voting for Mr Phil Cleary, an independent candidate and local football hero.

The result was a disaster for the ruling Labor party. Wills has traditionally been a safe Labor seat but in Saturday's election the party's share of support fell by 20 per cent compared with the last election two years ago.

This was despite heavy campaigning by Mr Paul Keating, the prime minister.

Labor officials have conceded the prolonged recession and high unemployment in the area led to the party's defeat.

Wills has the highest unemployment rate in Victoria, the state which itself has the highest jobless level in the country.

Almost 20,000 are unemployed out of a total population of about 140,000.

The result also delivered a big blow to the Liberal party's hopes of becoming an acceptable alternative to Labour. While the party suffered only a 7 per cent fall in its primary vote, it failed to pick up the protest vote against Labor.

## Hyundai refused loans by state bank

By John Burton in Seoul

THE state-owned Korea Development Bank (KDB) is refusing industrial loans to the Hyundai group, the second largest business group in South Korea, because of a dispute between the conglomerate and the government.

Hyundai has complained that while the KDB granted Won250bn (£190m) in loans to the group last year for the expansion or improvement of plant facilities, the bank has not acted on its request for Won300bn in loans this year.

KDB said it was refusing to make loans to Hyundai because its creditworthiness could deteriorate due to its conflict with the government.

The government has imposed a series of financial restrictions on Hyundai following the recent success in the National Assembly election of the political party established by the founder of Hyundai, Mr Chung Ju-yung.

However, the government made conciliatory moves over the weekend in an apparent effort to defuse the situation.

Mr Chung Se-yung, Hyundai chairman, met Mr Lee Jin-seol, senior presidential secretary for economic affairs, to discuss the impact the feud would have on the economy.

The Office of Bank Supervision (OBS) also postponed a decision to deprive Hyundai Electronics Industries (HEI) of its preferential rights to bank loans.

## INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

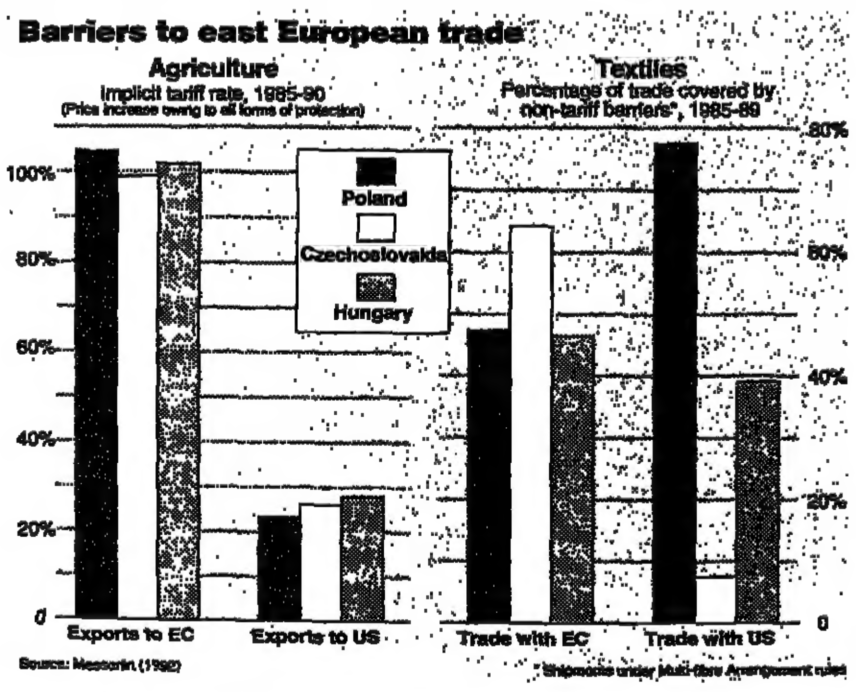
Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

| | UNITED STATES | | | | | JAPAN | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
| 1985 | 279.8 | −174.2 | −160.5 | 0.7623 | 100.0 | 230.8 | 76.0 | 84.5 | 180.50 | 100.0 |
| 1986 | 230.9 | −140.6 | −147.8 | 0.9836 | 80.2 | 211.1 | 96.2 | 86.9 | 165.11 | 124.4 |
| 1987 | 220.2 | −131.8 | −138.8 | 1.1541 | 70.3 | 197.3 | 86.1 | 75.5 | 166.58 | 133.2 |
| 1988 | 272.5 | −100.2 | −106.7 | 1.1833 | 66.0 | 219.8 | 80.7 | 66.6 | 151.51 | 147.3 |
| 1989 | 330.2 | −99.3 | −96.5 | 1.1017 | 69.4 | 245.3 | 70.5 | 52.4 | 151.87 | 141.9 |
| 1990 | 308.8 | −79.8 | −72.3 | 1.2745 | 65.1 | 219.9 | 49.8 | 26.1 | 183.94 | 126.0 |
| 1991 | 341.2 | −53.2 | −6.9 | 1.2391 | 64.5 | 247.5 | 82.9 | 62.5 | 166.44 | 137.0 |
| 1st qtr.1991 | 75.7 | −12.6 | 7.7 | 1.3440 | 61.8 | 58.3 | 17.2 | 13.2 | 179.68 | 132.1 |
| 2nd qtr.1991 | 89.4 | −11.0 | 2.4 | 1.1644 | 66.4 | 61.0 | 19.5 | 15.9 | 163.77 | 135.9 |
| 3rd qtr.1991 | 89.5 | −16.5 | −8.9 | 1.1732 | 66.5 | 65.5 | 23.4 | 16.5 | 159.94 | 138.5 |
| 4th qtr.1991 | 87.8 | −13.1 | −8.2 | 1.2548 | 63.3 | 63.1 | 23.1 | 17.1 | 162.35 | 141.2 |
| March 1991 | 26.8 | −3.2 | n.a. | 1.2788 | 63.9 | 21.2 | 6.7 | 6.2 | 175.56 | 132.0 |
| April | 29.5 | −3.7 | n.a. | 1.2088 | 65.6 | 18.7 | 6.5 | 6.4 | 165.75 | 135.7 |
| May | 29.6 | −4.0 | n.a. | 1.1915 | 66.0 | 20.9 | 5.9 | 4.9 | 164.68 | 135.4 |
| June | 30.3 | −3.3 | n.a. | 1.1530 | 67.6 | 21.5 | 7.1 | 4.5 | 160.88 | 136.6 |
| July | 30.6 | −5.2 | n.a. | 1.1509 | 67.8 | 21.4 | 7.2 | 4.1 | 158.54 | 136.8 |
| August | 29.2 | −5.5 | n.a. | 1.1756 | 66.6 | 21.7 | 8.2 | 6.0 | 160.87 | 138.2 |
| September | 29.6 | −5.8 | n.a. | 1.1929 | 65.3 | 22.3 | 8.1 | 6.3 | 160.42 | 138.7 |
| October | 30.7 | −5.2 | n.a. | 1.2062 | 64.6 | 22.0 | 8.0 | 5.3 | 157.77 | 142.4 |
| November | 29.4 | −3.3 | n.a. | 1.2568 | 63.2 | 21.0 | 7.2 | 5.8 | 162.99 | 140.8 |
| December | 27.6 | −4.6 | n.a. | 1.2993 | 62.0 | 20.3 | 8.3 | 6.4 | 166.37 | 140.2 |
| January 1992 | 27.5 | −4.5 | n.a. | 1.2926 | 61.9 | 21.4 | 7.9 | 5.5 | 161.84 | 143.6 |
| February | | | n.a. | 1.2633 | 63.4 | 21.6 | 9.3 | 7.6 | 161.14 | 143.3 |

| | GERMANY | | | | | FRANCE | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
| 1985 | 242.8 | 33.3 | 21.7 | 2.2259 | 100.0 | 133.4 | −4.5 | −0.2 | 6.7941 | 100.0 |
| 1986 | 248.6 | 53.5 | 40.3 | 2.1279 | 108.8 | 127.1 | −0.1 | 3.0 | 6.7946 | 102.8 |
| 1987 | 254.2 | 56.7 | 39.8 | 2.0712 | 115.3 | 128.3 | −4.6 | −3.7 | 6.9267 | 103.0 |
| 1988 | 272.6 | 61.6 | 42.8 | 2.0739 | 114.6 | 141.6 | −4.7 | −3.4 | 7.0354 | 100.6 |
| 1989 | 310.2 | 65.2 | 52.0 | 2.0681 | 113.5 | 162.9 | −6.4 | −3.6 | 7.0169 | 99.8 |
| 1990 | 324.6 | 51.7 | 37.7 | 2.0537 | 119.1 | 170.1 | −7.2 | −7.4 | 6.9202 | 104.8 |
| 1991 | 327.5 | 10.5 | −16.6 | 2.0484 | 117.7 | 175.6 | −4.2 | −4.1 | 6.9652 | 102.7 |
| 1st qtr.1991 | 81.3 | 2.9 | −4.5 | 2.0570 | 119.8 | 42.3 | −2.0 | −3.0 | 6.9969 | 104.3 |
| 2nd qtr.1991 | 78.5 | −0.5 | −5.2 | 2.0549 | 116.2 | 43.2 | −1.2 | −1.4 | 6.9582 | 102.0 |
| 3rd qtr.1991 | 83.6 | 2.3 | −5.3 | 2.0431 | 116.5 | 44.8 | −1.6 | −0.1 | 6.9441 | 101.8 |
| 4th qtr.1991 | 84.1 | 5.8 | −1.5 | 2.0385 | 118.5 | 45.2 | 0.6 | 0.4 | 6.9608 | 102.8 |
| March 1991 | 26.9 | 1.3 | −2.8 | 2.0559 | 118.6 | 13.9 | −0.70 | −0.86 | 7.0003 | 103.2 |
| April | 25.2 | 0.5 | −1.2 | 2.0599 | 116.4 | 14.7 | −0.25 | −0.67 | 6.9587 | 102.4 |
| May | 27.3 | −0.8 | −2.2 | 2.0506 | 116.3 | 14.2 | −0.35 | −0.26 | 6.9508 | 102.0 |
| June | 26.0 | −0.2 | −1.8 | 2.0541 | 115.8 | 14.3 | −0.55 | −0.43 | 6.9680 | 101.5 |
| July | 27.6 | 0.0 | −2.8 | 2.0529 | 115.8 | 15.2 | −0.57 | −0.20 | 6.9693 | 101.4 |
| August | 28.9 | 2.1 | −1.5 | 2.0509 | 116.5 | 14.5 | −0.60 | 0.43 | 6.9695 | 101.8 |
| September | 27.2 | 0.2 | −0.9 | 2.0255 | 117.1 | 15.1 | −0.45 | −0.38 | 6.8935 | 102.2 |
| October | 27.3 | 1.5 | −1.5 | 2.0419 | 117.1 | 15.8 | 0.95 | 1.23 | 6.9612 | 101.9 |
| November | 28.9 | 1.9 | 0.7 | 2.0413 | 118.6 | 15.0 | 0.05 | 0.17 | 6.9782 | 102.8 |
| December | 27.8 | 2.4 | −0.8 | 2.0322 | 119.9 | 14.3 | −0.39 | −0.81 | 6.9451 | 103.7 |
| January 1992 | 25.9 | −0.4 | −3.2 | 2.0368 | 119.3 | 14.9 | 0.51 | 0.71 | 6.9476 | 103.6 |
| February | | | −0.9 | 2.0441 | 118.6 | 14.9 | 0.06 | | 6.9565 | 103.3 |

| | ITALY | | | | | UNITED KINGDOM | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
| 1985 | 103.7 | −16.0 | −5.4 | 1443.0 | 100.0 | 132.4 | −5.7 | 4.7 | 0.5890 | 100.0 |
| 1986 | 99.4 | −2.5 | −1.4 | 1461.6 | 101.4 | 108.3 | −14.2 | −0.3 | 0.6705 | 91.6 |
| 1987 | 100.7 | −7.5 | −2.1 | 1494.3 | 101.2 | 112.3 | −16.4 | −5.9 | 0.7047 | 90.1 |
| 1988 | 108.3 | −8.9 | −8.0 | 1536.8 | 97.8 | 120.9 | −32.5 | −23.4 | 0.6643 | 95.5 |
| 1989 | 127.8 | −11.3 | −14.4 | 1509.2 | 98.6 | 137.3 | −36.6 | −30.3 | 0.6728 | 92.5 |
| 1990 | 133.6 | −9.3 | −19.4 | 1523.2 | 100.6 | 142.7 | −26.0 | −21.2 | 0.7150 | 91.3 |
| 1991 | 137.0 | −10.5 | −28.0 | 1531.3 | 98.9 | 148.1 | −14.4 | −6.9 | 0.7002 | 91.7 |
| 1st qtr.1991 | 32.3 | −4.2 | −7.2 | 1541.4 | 100.1 | 35.4 | −4.3 | −3.9 | 0.7043 | 93.8 |
| 2nd qtr.1991 | 35.5 | −3.4 | −8.9 | 1524.6 | 98.6 | 37.4 | −3.2 | −0.3 | 0.6939 | 91.4 |
| 3rd qtr.1991 | 31.9 | −1.7 | −5.5 | 1525.4 | 98.1 | 38.0 | −3.4 | −1.8 | 0.6959 | 90.7 |
| 4th qtr.1991 | 37.3 | −1.2 | −8.3 | 1533.8 | 98.8 | 37.2 | −3.6 | −0.9 | 0.7069 | 90.9 |
| 1991 March | 11.1 | −0.4 | −2.3 | 1534.2 | 99.8 | 12.0 | −1.3 | −1.12 | 0.7010 | 92.9 |
| April | 11.4 | −1.5 | −2.6 | 1525.9 | 98.9 | 12.2 | −1.3 | −0.31 | 0.6915 | 92.3 |
| May | 11.3 | −2.1 | −2.1 | 1521.5 | 98.7 | 12.3 | −1.4 | −0.41 | 0.6919 | 91.7 |
| June | 12.7 | 0.3 | −2.1 | 1526.5 | 98.2 | 12.9 | −0.6 | 0.39 | 0.6984 | 90.2 |
| July | 13.2 | 0.1 | −2.2 | 1529.2 | 97.9 | 12.6 | −0.9 | −0.37 | 0.6964 | 90.3 |
| August | 7.5 | 0.2 | −0.4 | 1533.0 | 98.0 | 13.0 | −1.2 | −0.66 | 0.6967 | 90.7 |
| September | 11.1 | −2.0 | −2.8 | 1513.9 | 98.5 | 12.4 | −1.3 | −0.75 | 0.6924 | 91.0 |
| October | 13.1 | −0.9 | −2.5 | 1526.5 | 98.5 | 12.3 | −1.3 | −0.36 | 0.7014 | 90.5 |
| November | 11.1 | −1.6 | −2.5 | 1537.6 | 98.7 | 12.3 | −1.3 | −0.45 | 0.7076 | 91.0 |
| December | 13.1 | 1.2 | −3.3 | 1537.4 | 99.1 | 12.6 | −1.0 | −0.09 | 0.7116 | 91.2 |
| 1992 January | 10.7 | −2.0 | −3.2 | 1534.9 | 99.1 | 11.6 | −1.6 | −1.20 | 0.7131 | 90.8 |
| February | 11.4 | −1.4 | −2.2 | 1535.5 | 99.0 | 12.7 | −1.5 | −1.06 | 0.7105 | 90.9 |

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.




## EC protectionism threatens east European growth

THE POLITICAL rhetoric peddled by the European Community is regularly at odds with the reality of its activities. Nowhere is this better illustrated than in the contradiction between its free trade propaganda and the protectionist bias of its trade policies. For eastern Europe, the EC's half-hearted response to their need for market access provides a disillusioning introduction to the practice of west European capitalism.

The collapse of the Soviet Union and the distorted pattern of trade within eastern Europe makes the EC a vital source of new markets and foreign direct investment for eastern Europe. One-third of all east European exports were sold in EC markets in 1990. The extensive trade liberalisation undertaken by Poland, Hungary and Czechoslovakia suggests they have swallowed the free trade message.

The response of the EC, while sluggish, is at first sight encouraging. Last December, the EC countries signed Association agreements with Poland, Hungary and Czechoslovakia which appear to be the first step towards a European "free trade area." The agreements, which came into effect last month, have abolished most quotas and will remove many tariffs over the next 2-5 years. They are intended to create a free flow of industrial goods between the EC and these three east European countries within the next 10 years.

There is much protectionism to dismantle. Energy, agriculture, textiles and apparel, iron and steel and chemicals together account for between a third and a half of these countries' exports. All have traditionally faced high levels of EC protection. The eastern European countries have been particularly hurt by the high level of EC agricultural protection. The Common Agricultural Policy has doubled the price of their agricultural exports, as the left-hand chart shows. Moreover, there has been a substantial increase in EC agricultural protection since 1985, compared with the US or Japan.

Textiles, apparel and iron and steel exports have faced only modest tariffs; protection has been applied through non-tariff barriers instead. Half of all Polish, Czech and Hungarian exports to the EC have faced restrictions under the Multi-fibre Agreement. Barriers to iron and steel exports to the EC consist of quotas on the majority of east European exports.

Much of this EC protection will survive the Association agreements. At a recent conference at the European Bank for Reconstruction and Development, Mr Patrick Messerlin argued that substantial trade barriers will remain against eastern Europe's main industrial exports for at least the next five years. The agreed trade liberalisation will occur on a slower timetable for certain "import-sensitive" sectors – textiles and apparel, and iron and steel – and not at all for agricultural exports. Member countries required these exceptions, despite the small scale of east European trade. Completely free trade with eastern Europe would be expected to reduce the EC output of these industries by a mere 2-4 per cent.

Moreover the agreements are loaded with provisions – covering rules of origin, safeguards and standards – which may seriously undermine the announced trade liberalisation. Eastern European goods will have to demonstrate at least 60 per cent local content to qualify for duty-free entry into the EC: while Article 30 allows the trade barriers to be re-erected in order to safeguard a threatened domestic industry and prevent "serious disturbances in any sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region."

This safeguard clause could be used to reverse all of the other trade liberalisation clauses in the agreements. Whether this will occur depends on the attitude of the EC. Its willingness to bow to the special pleading of certain "import-sensitive" industries does not bode well for eastern Europe's future.

**Edward Balls**

*Patrick Messerlin, "Restrictions on OECD Imports from Eastern Europe," Institut d'Etudes Politiques de Paris, March 1992.*

# OAS likely to shy away from Peru sanctions

By Leslie Crawford in Lima

FOREIGN ministers of the Organisation of American States (OAS) meeting in Washington today will discuss the possible imposition of sanctions against Peru's seven-day-old dictatorship.

Mr Augusto Blacker Miller, Peru's foreign minister, will have a tough task persuading the OAS that President Alberto Fujimori's suspension of Congress and the Supreme Court are "transitional" measures.

He is likely to argue that the old democracy was flawed and that time is needed to correct Peru's "corrupt" institutions. He will also seek to legitimise Mr Fujimori's military-backed coup with opinion polls showing overwhelming support for the new regime.

The disbanded Congress, which met in secret last Thursday to impeach Mr Fujimori, will be sending its own envoy to the OAS. Mr Maximo San Roman, Peru's vice-president who was in Miami at the time of the coup, will ask the OAS not to recognise the de facto government.

The OAS is believed to be reluctant to impose economic sanctions against Peru, although US President George Bush has not ruled out this option. Diplomats in Lima said the OAS would probably send a peace mission to Peru in an attempt to broker an early return to democracy.

In an attempt to mollify international opinion, Mr Fujimori has restored press freedom and released most politicians who were under house arrest at the weekend. The president has also decreed tough penalties for drug trafficking and money laundering and has ordered the air force to bomb landing strips in the Huallaga Valley – the centre of Peru's cocaine traffic. The last two orders appeared designed to soften US condemnation of the new government.

Peru faces deep international isolation; the US has suspended some \$320m (£186m) of economic and military aid, Germany has frozen \$110m in development aid, Spain about \$50m, and Colombia has broken off integration talks.

At present Peru has about \$1.5bn in foreign reserves. This is enough to tide the new government over until international outrage subsides.

Mr Fujimori is gambling the US will eventually resume business with him, given that the fight against drug trafficking remains Washington's main policy goal in the region.

# Winnie Mandela in fresh row over beating

Winnie Mandela: influence in ANC diminishing

A CO-DEFENDANT in last year's kidnap and assault trial of Mrs Winnie Mandela, wife of the African National Congress leader, Mr Nelson Mandela, has told a Johannesburg newspaper that he was present when Mrs Mandela beat four young men in her Soweto home, writes Patti Waldmeir in Johannesburg.

The claims, published in the Johannesburg Sunday Times, will heighten controversy surrounding the role of Mrs Mandela in the 1988 beatings. They follow allegations made a fortnight ago that Mrs Mandela ordered the murder of a prominent doctor who would have been a key figure in the case. In light of those claims, police are re-examining the doctor's death, which had been treated as a robbery-related murder.

The charges are an embarrassment to the ANC, in which Mrs Mandela holds senior positions. However, her influence in the organisation has declined sharply since the trial and she is seldom seen in public with her husband, leading to speculation that they will soon become legally separated.

Mr John Morgan, Mrs Mandela's former driver, told the Sunday Times that he lied in court to protect her during last year's trial. Mrs Mandela was convicted as an accessory after the fact to assault and given a one-year prison sentence, as well as a five-year sentence for planning the kidnapping of the boys. The case is subject to appeal.

The judge failed to find Mrs Mandela guilty of assault because he accepted her alibi that she was not present when the boys were beaten – which Mr Morgan now disputes.

One of the four victims of the beatings later died, and Mr Morgan told the newspaper that Mrs Mandela ordered him to remove the corpse from the house.

"I was told by Winnie to pick up the dog and dump him," it quoted Mr Morgan as saying.

Mr Morgan received a one-year suspended sentence during the trial.

# Pentagon draws on Gulf war lessons

By George Graham in Washington

IN the midst of a ferocious political debate over how to structure US defences after the collapse of the Soviet Union, the US Defence Department has set out to build its answers on the lessons of the Gulf war.

In a three-volume report to Congress totalling more than 1,300 pages, the Pentagon has analysed every aspect of the conduct of the war – from the performance of weapons systems to the treatment of prisoners of war, from political leadership in the international arena to coalition command structures in the field.

The "Conduct of the Gulf War" report concludes that the decisive victory of the coalition forces over the Iraqi army is attributable in large measure to the extraordinary effectiveness of the air power deployed.

It warns, however, that in future wars air power may not be so successful nor sustain such low casualties. It also argues that the ground offensive of Operation Desert Storm was essential in enabling the coalition to seize the initiative.

The report also notes shortages of specific types of transport equipment and shortcomings in intelligence and reconnaissance, in targeting mobile missile launchers and in preparations for defence against biological warfare.

Mr Dick Cheney, the defence secretary, has used the report to bolster some of the themes he has repeatedly laid out in his efforts to prevent an over-hasty draw-down of the US military establishment now that the Cold War is over.

"The Persian Gulf war reminds us that we cannot be sure when or where the next conflict will arise," he writes in an introduction to the report.

"Our ability to predict events five, 10 or 15 years in the future is quite limited. But whatever occurs, we will need high-quality forces to deter aggression or, if necessary, to defend our interests."

Mr Cheney underlines his argument that it takes years to develop both the personnel and the military technology that contributed to the coalition victory. But he faces a hard task convincing Congress that his defence budget cannot be cut more quickly, while at the same time many congressmen will battle to preserve their local army and air force bases, national guard units and defence manufacturing programmes.

# Bush seeks to curb unions' political role

By George Graham

PRESIDENT George Bush is to embark on a new policy which is expected to weaken further the already ailing US trade union movement.

Mr Bush plans to announce today new measures to implement a 1988 Supreme Court decision which inhibits trade unions from using membership fees for political purposes.

The measures echo similar efforts undertaken by the UK's Conservative government in the 1980s to curb British unions' use of political funds. This could, in time, diminish a significant source of support for Mr Bush's Democratic rivals, who are the overwhelming beneficiaries of organised labour's backing.

The scope of the 1988 Supreme Court ruling on the case of Communications Workers of America v Beck is limited, as it covers only workers who do not belong to a union but who are required – as they may be in many states – to pay dues because they receive union representation and are covered by a union contract.

All the same, officials estimate that full implementation of the decision to permit such workers to refuse to pay dues for political purposes could reduce trade union funds by more than \$2bn (£1.1bn) a year.

Mr Bush's decision to act on the Beck ruling, four years after it was delivered by the Supreme Court, demonstrates how the impending presidential election has sharpened his administration's focus on policy issues.

Right-wing Republicans have urged the administration for some time to act on the Beck ruling to curb trade unions' political muscle – which may not under federal law be applied in direct campaign contributions but can bring significant logistical support, particularly by supplying telephone banks and drivers to get voters to the polls.

But union power has been on the wane for years as membership has declined. Union members accounted for more than 35 per cent of the US workforce at the end of the Second World War, but have dwindled steadily to about 16 per cent today.

# Libyan offer leaves UN unmoved

LIBYA has offered to hand over to Tunisia two men suspected of the 1988 bombing of an American airliner, but the proposal is unlikely to stave off UN sanctions due to come into effect on Wednesday, writes Tony Walker in Cairo.

Scheduled flights from Tripoli are reported to be heavily booked over the next few days before the deadline expires for the imposition of UN sanctions resolution 748, which includes an arms and air embargo.

Arab foreign ministers, members of a special seven-member Arab League committee, were meeting in Rabat today in an effort to fashion a last-minute compromise.

Libya's offer to yield to Tunisia, or some other "neutral" country, the two nationals at the centre of an international test of wills over the downing of a Pan Am jet, was conveyed to Mr Boutros Boutros Ghali, the UN secretary-general, last week.

It differs little from other Libyan offers, and does not appear to come near meeting terms specified by the US, Britain and France for resolving the crisis.

# Saudi banks help fund defence deal

SAUDI ARABIA is borrowing SR10bn (£1.53bn) from domestic banks to help pay for its al-Yamamah defence deal with Britain, Reuter reports from Bahrain. Economists in Riyadh said the Saudi Arabian Monetary Agency (Sama) told five domestic banks to participate in the 18-month loan, the kingdom's third sovereign credit during the past year.

The money – due to be drawn in four tranches at fortnightly intervals beginning today – was for the Finance Ministry and would cover the kingdom's last £1.5bn payment for al-Yamamah.

Sama officials were not available for comment.

Mr John Major, Britain's prime minister, said last week King Fahd had confirmed the payment for phase two of the deal, which could involve the supply of British Aerospace aircraft, minesweepers, technical advice and construction of a large military airbase on the edge of the southern Empty Quarter desert.

Bankers in the kingdom said the loan was priced at 25 basis points over the Saudi interbank offered rate (Sibor).

# ELECTION 1992

# Heseltine ready to meet challenge of consolation prize

By Michael Cassell, Business Correspondent

IF Mr Michael Heseltine must finally abandon any ambition to lead his party, the chance to put a powerful Department of Trade and Industry back at the centre of government offers him an exciting consolation prize.

Mr Heseltine has long had his eye on the top job at the DTI, where 20 years ago he served briefly as minister for aerospace. Although he has kept his own counsel since returning to the cabinet, he holds clear, controversial views on the proper role for his new department.

During his period in ministerial exile, as the DTI was increasingly emasculated, Mr Heseltine produced reams of ideas for empowering a beefed-up industry department. At times, he sounded more in line with Labour thinking on the need for an industrial strategy rather than with his own party.

Some of his ambitions for the DTI run the risk of conflict with other departments, not least the Treasury – which he believes has too great an influence on industrial policy – and the Foreign Office, which he thinks should play a much greater role in promoting British industry.

Mr Heseltine may also have some home truths for the business community's representative bodies, such as the Confederation of British Industry and the chambers of commerce, which he believes could be organised more effectively.

He may wish to stir a debate on the need for institutions to take a longer-term view towards investment in industry. He could also want to take a look at the narrow parameters which dictate the policy on takeovers, an area of activity not always perceived to be in the best interests of British industry.

Another item on his checklist for action could be trying to devise a more effective role for the National Economic Development Office, which was effectively ignored under Mrs Margaret Thatcher.

Mr Heseltine will, in any case, begin with far broader responsibilities than Mr Peter Lilley, his predecessor. He will take charge of energy policy in a government committed to privatising the coal industry, to reducing the retail monopoly of British Gas and to reviewing the future of the nuclear industry.

The DTI will also take over the Department of Employment's responsibility for small businesses, an area of particular interest to Mr Heseltine.

Mr Heseltine's stewardship of the DTI will be in marked contrast to that of Mr Lilley, who promoted a comparatively narrow role for his department. This was focused on limiting the burden of bureaucracy on business and on creating a political environment which, Mr Lilley said, left companies "free to get on with doing what they do best – encouraged and unimpeded".

Mr Lilley, above all, was accused of presiding over a department which had no real clout in government and which placed too much reliance on the mechanisms of the market place.

The new incumbent sees things very differently – Mr Heseltine has described as short-sighted the "averted gaze" of government in respect to industry.

Some changes at the DTI may amount to little more than a different tone; Mr Heseltine may appear more understanding and concerned, although he will be as hard-pressed as his predecessors to win more cash.

He inherits a £1bn departmental budget, primarily aimed at stimulating the process of longer-term wealth creation through innovation and research and development – areas which he will be keen to expand further.

Mr Heseltine will also place renewed emphasis on the need to stimulate industrial development within the regions.

Although he is not an interventionist in the sense that he has any time for central planning, his two spells as environment secretary demonstrated an enthusiastic advocacy of "active government".

He believes passionately in the need for government to have "a view from the centre" about how British industry should develop and prosper. He wrote recently: "All the trappings of a continuous relationship between government and industry are there. What is missing is the conviction, the consistency and the machinery to work together with a coherent industrial strategy."

Mr Heseltine wants the DTI to have greater cabinet seniority than in the past, something which his own appointment will help bring about. But he also wants to see the DTI given overall responsibility for government relations with industry.

During the 1980s, he viewed with dismay the endless changes at the top of the DTI, which enabled critics to claim that the government gave low priority to the problems and demands of British industry.

As he put it five years ago: "The views of the City are in the mainstream of policy; those of industry are frequently dismissed as little more than special pleading." It is that culture which he now sets out to change.

Mr Heseltine becomes the eighth trade and industry secretary in nine years and shows every sign of relishing the challenge. He will find it hard to complain, however, if he has to spend most of the next five years at the DTI.

Taking a close look: Michael Heseltine holds clear, controversial views on the proper role for his new department

# Council tax hurdle ahead for Howard

By John Willman, Public Policy Editor

THE MOST immediate challenge facing Mr Michael Howard, the new environment secretary, will be to achieve a smooth lift-off for the council tax, which is due to replace the poll tax in April next year.

The irony of this will not be lost on Mr Howard, for it was he who supervised the passage of the poll tax through parliament during his stint as housing and local government minister. He now has less than a year to ensure that the council tax does not become a political millstone around Mr Major's neck, as the poll tax became for Mrs Thatcher.

His past record is unlikely to endear him to the local government leaders whose co-operation is essential to making a success of the council tax. However, one influential Labour council leader said last night that he hoped Mr Howard would be prepared to work for an improvement in relations between central and local government.

Mr Howard will himself become a sort of unelected mayor for London through his chairmanship of the government's new cabinet sub-committee which is to co-ordinate planning and policy for the capital. He will also convene a new private sector forum to promote London as a business, tourist and cultural centre.

An early decision will have to be made on whether to cap poll tax levels for some 15-20 councils which have exceeded government guidelines on local spending. In the longer term, Mr Howard will be responsible for seeing through the work of the Local Government Commission which will eliminate a tier of local government in England and Wales and redraw local authority boundaries.

The environment secretary's role in regenerating inner cities is to be enhanced, with additional responsibilities transferred from the Department of Trade and Industry.

The Conservative manifesto pledged an extension of the City Challenge approach which distributes resources by competitive bidding between councils. With a second round of bidding closing this month, Mr Howard will have the opportunity to set his own priorities in selecting the 20 winners.

Mr Howard can expect a surge in transfers of local authority housing to housing associations and housing action trusts. With the election of a fourth Tory government, many Labour councils will set aside ideological scruples and seek such transfers, which will be the only way of bringing significant new investment into run-down council estates.

On environmental issues, the government is committed to establishing a new agency to bring together existing bodies such as the National Rivers Authority and Her Majesty's Inspectorate of Pollution.

## THE NEW CABINET

| | Title | Salary |
|---|---|---|
| John Major, 49 | Prime minister, First Lord of the Treasury and minister for the Civil Service | £76,234 |
| Lord Mackay of Clashfern, 64 | Lord Chancellor | £106,750 |
| Douglas Hurd, 62 | Foreign secretary | £63,047 |
| Norman Lamont, 49 | Chancellor of the exchequer | £63,047 |
| Kenneth Clarke, 51 | Home secretary | £63,047 |
| Michael Heseltine, 59 | Trade and industry secretary | £63,047 |
| John MacGregor, 55 | Transport secretary | £63,047 |
| Malcolm Rifkind, 45 | Defence secretary | £63,047 |
| John Wakeham, 59 | Lord Privy Seal and leader of the House of Lords | £50,558 |
| Tony Newton, 54 | Lord President of the Council and leader of the House of Commons | £63,047 |
| John Gummer, 52 | Minister of agriculture, fisheries and food | £63,047 |
| Michael Howard, 50 | Environment secretary | £63,047 |
| David Hunt, 49 | Welsh secretary | £63,047 |
| Peter Lilley, 48 | Social security secretary | £63,047 |
| William Waldegrave, 45 | Chancellor of the Duchy of Lancaster | £63,047 |
| Ian Lang, 51 | Scottish secretary | £63,047 |
| David Mellor, 43 | National heritage secretary | £63,047 |
| Sir Patrick Mayhew, 62 | Northern Ireland secretary | £63,047 |
| John Patten, 46 | Education secretary | £63,047 |
| Virginia Bottomley, 44 | Health secretary | £63,047 |
| Gillian Shephard, 52 | Employment secretary | £63,047 |
| Michael Portillo, 38 | Chief secretary to the Treasury | £63,047 |

The average age of the cabinet, which was already the youngest this century, falls from 53 to 51

# Relief at BBC over Mellor post

By Raymond Snoddy and David Owen

WITH INTERESTS ranging from the composer Glazunov to Chelsea Football Club, Mr David Mellor is equipped to head the new national heritage ministry responsible for the arts, the media, heritage and sport.

There will be relief at the BBC that its future is in the hands of Mr Mellor, who understands the complex policy arguments in broadcasting. This is particularly important since some Tories have muttered about taking revenge for alleged anti-Conservative bias by the BBC during the election campaign.

A green paper on the BBC is expected later this year. Its charter expires at the end of 1996 and must be renegotiated. While Mr Mellor is likely to give short shrift to any arguments from the BBC that smack of vested interests, he will not be inherently hostile to the notion that there should be a body like the BBC funded by a licence fee and committed to quality programmes.

Mr Mellor, who combines previous ministerial experience for broadcasting and the arts with a feeling for handling large budgets from his most recent post as chief Treasury secretary, will know that the superficially attractive idea of putting advertisements on BBC television could destroy the finances of ITV. It was principally Mr Mellor who turned the 1990 Broadcasting Bill from being a potential disaster for ITV into an Act that may turn out to be workable, in spite of its imperfections.

With a mixture of responsibilities from no fewer than six departments being assembled under his baliwick, Mr Mellor will be anxious to keep bureaucratic teething problems to a minimum. He will preside eventually over a 350-strong staff in a yet-to-be-determined location.

The creation of this ministry is one of the clearest signs that Mr John Major is attempting to put a distinctive stamp on his premiership. Mr Mellor will bear a heavy responsibility in making a success of it, and will need his robust debating and bargaining skills.

He spoke yesterday of seeing a role for government in assisting "the accessibility of the arts." There was "a clear feeling" that the arts were "a lasting and enduring part of society" and hence needed cabinet-level representation, he said. His will be the final word on whether works of art may be exported.

Lord Palumbo, chairman of the Arts Council, welcomed Mr Mellor's appointment, saying he would give the arts "leadership, direction and a vision for the future".

# Welfare lobbyists wary of Lilley

By Ralph Atkins

MR PETER Lilley's appointment as social security secretary puts a right-winger in charge of Whitehall's biggest spending department – a prospect likely to worry groups lobbying on behalf of welfare recipients and the low paid.

Mr Lilley was not a political heavyweight in his past incarnation as trade and industry secretary, but he had a reputation for ideological purity and for defending the values of the Thatcherite No Turning Back group.

Looking younger than his 48 years, his experience as a junior Treasury minister only convinced him of the necessity of controlling state intervention and spending.

At the social security department he will have to reconcile gut convictions with the political pitfalls of a high spending department. If he fails to lobby hard for extra spending in what are always difficult negotiations with the Treasury, he could quickly find himself resented by Conservatives as well as by the opposition.

As his predecessor Mr Tony Newton found, the department usually only brings a high profile when events are against you. And Mr Lilley's omens are not good. At the DTI he was more concerned that his decisions should be ideologically correct, rather than politically convenient. He was sometimes indecisive and failed to strike a rapport with either Tory backbenchers or industrialists.

As a Commons performer he lacks panache. At party conferences he is happier with self-deprecating jokes rather than manufacturing the self-esteem and confidence more usual of cabinet ministers. Protecting Mr Lilley will be the prime minister's personal commitment to the social security system and the explicit commitment in the Conservative manifesto to keep child benefit as "the cornerstone" of Tory policy for families with children and to increase the benefit in line with inflation.

A more immediate challenge for Mr Lilley will be to respond to the pressure for reform of pension legislation in the wake of the late Mr Robert Maxwell raiding pension funds of companies he controlled.

# Four of the new faces around Major's cabinet table

## Michael Portillo: Chief secretary to the Treasury

IF MR John Major's intention was to signal the Tories' determination to balance the budget over the economic cycle, he has done so with his appointment of Mr Michael Portillo as chief secretary to the Treasury.

An unashamed member of the rightwing No Turning Back group of MPs, who welcomed Mrs Margaret Thatcher as the guest of honour at his annual constituency dinner this year, Mr Portillo is under no illusions that control of public spending can be relaxed as the economy comes out of recession.

Colleagues lining up for the annual tussle of the public expenditure round will find him a formidable opponent.

He can master vast amounts of detail, can argue his case cogently and has a strong streak of stubbornness or determination. All three qualities were in evidence as he pushed through both the council tax bill and the local government bill before parliament was dissolved last month.

He is also committed to low taxation which, even before the election campaign, he was highlighting as one of the critical differences between the two main parties.

Aged 38, he is the youngest member of the cabinet, and is already used to being tipped a future leader of the party.

He became MP for the safe seat of Enfield Southgate at a by-election in November 1984, having worked as special adviser to Mr Nigel Lawson, the then chancellor, immediately beforehand.

In 1990 he was given the high-profile job of local government minister. It made him practically the last public friend of the poll tax before he became its executioner.

Like Mr Major's, his abilities are praised on all sides of the party. Only the faintest of unease is occasionally expressed about his ambition. "I wish he still invited me to his parties," was the slightly wistful comment of one senior Conservative who had known him well when he first worked for the Tory party.

Alison Smith

## John Patten: Education secretary

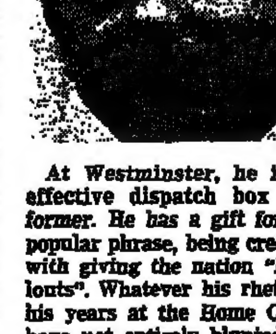
MR John Patten's promotion marks the end of a time when he seemed doomed to be the minister most frequently and wrongly tipped for the cabinet.

Since 1989, Mr Patten, 46, has been listed among the "ministers most likely to" at every reshuffle. But while contemporaries such as Mr William Waldegrave and Mr Michael Howard got seats at the top table, he was left to soldier on through criminal justice bills at the Home Office.

His qualifications for his appointment are so fitting that it is a fair bet that Mrs Margaret Thatcher would never have trusted him with it. Not only does his seat – Oxford West and Abingdon – contain Oxford University, but he was a university lecturer from 1969 and a fellow of Hertford College until 1983.

His ministerial apprenticeship has been long. In his five years at the Home Office he learnt the need to work with dissatisfied departmental client groups. It should serve him in good stead in his dealings with the teachers and educational establishment, who are desperate for stability after the upheavals of the education reforms.

Among his recurring themes, and one he is likely to elaborate in his new post, is that of parental responsibility.



At Westminster, he is an effective dispatch box performer. He has a gift for the popular phrase, being credited with giving the nation "lager louts". Whatever his rhetoric, his years at the Home Office have not entirely blunted his liberal edge: he has consistently voted against the restoration of capital punishment.

His officials talk of his relentless drive for self-publicity, although this also enables him to attract attention to fresh or even not-so-fresh departmental actions.

Apparently undaunted by the crime figures rising to record levels, he has insisted on the preventability of much minor property crime and launched initiatives to try to reduce it.

Alison Smith

## Virginia Bottomley: Health secretary

AMONG Mrs Virginia Bottomley's hopes as she enters John Major's cabinet is that her health department will be blessed with a relatively quiet life.

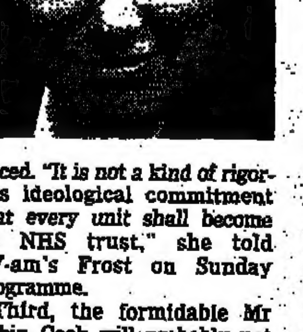
As incoming health secretary, one of her chief aims will be "to try to remove politics from the health service." What the NHS needs, she says, is a "spell of stability" in which to beaver away at the government's reforms.

In the wake of the bitter War of Jennifer's Ear – during which health was turned into the most abused of political footballs – this might seem a forlorn aspiration. But Mrs Bottomley may see it partly fulfilled for three reasons.

First, as she argues with some justification, the election result has to some extent "nailed" Labour's aggressive claims regarding NHS "privatisation". At the least, both leading opposition parties now face a period of introspection and possible policy changes.

Second, the government's framework of reform is now mainly in place, with the focus switching to implementation as more GPs gear up to become fundholders and more hospitals prepare for trust status.

Mrs Bottomley gave an early signal that she will not be doctrinaire over the pace at which the new structures are introduced. "It is not a kind of rigorous ideological commitment that every unit shall become an NHS trust," she told TV-am's Frost on Sunday programme.



Third, the formidable Mr Robin Cook will probably not be Labour health spokesman beyond the autumn. Mr Cook's mastery of his portfolio has taxed even such accomplished debaters as Mr Kenneth Clarke.

Mrs Bottomley's capacity to perform capably under pressure is not in doubt. But, though meticulous in mastering briefs, she has yet to demonstrate the ability to ad-lib convincingly. There is also a question mark over her ability to stamp her authority on an entire government department.

David Owen

## Gillian Shephard: Employment secretary

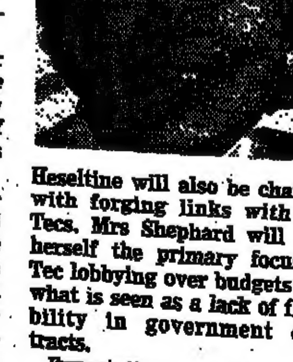
AS A former Treasury minister, Mrs Gillian Shephard will be on familiar ground this week as she attempts to come to terms with a set of grim economic indicators. One of her first duties as employment secretary will be to preside over the publication of the latest unemployment figures.

Unemployment has risen for the past 22 consecutive months, reaching a seasonally adjusted figure in February of more than 2.6m. Last month's total will continue the trend.

Even with her Treasury contacts, there are no indications that Mrs Shephard will be able suddenly to reverse the decline of government expenditure on measures to tackle unemployment. Since 1986-87 these programmes have experienced cuts totalling a fifth in real terms.

Instead, Mrs Shephard will be relying on the assistance of another new appointee, Mr Michael Heseltine, at the Department of Trade and Industry. Mr Heseltine, will have his department strengthened as he takes on the employment department's old responsibilities for small businesses.

Mrs Shephard will retain the primary responsibility for the employer-led Training and Enterprise Councils. While Mr Heseltine will also be charged with forging links with the Tecs, Mrs Shephard will find herself the primary focus of Tec lobbying over budgets and what is seen as a lack of flexibility in government contracts.



Expectations may be raised that she will bring in measures to promote the position of women in the workforce, particularly since responsibility for the Equal Opportunities Commission will move to her department from the Home Office.

Here, again, her room for manoeuvre will be strictly limited by restraints on expenditure – and exhortations to industry on equal opportunities may remain the only form of action.

Diane Summers

# ELECTION 1992

## Safe pair of hands could have a grip

**Ivo Dawnay finds the odds are favourable for the shadow chancellor in Labour's leadership stakes**

UNLESS Mr Bryan Gould has a last-minute change of mind, the Labour leadership contest that begins in earnest today will centre on whether the shadow environment spokesman can resist the juggernaut now rolling for Mr John Smith.

The odds are heavily stacked against him. The case for the shadow chancellor lies heavily with his national popularity, his natural gravitas (a sharp contrast to Mr Neil Kinnock) and the widely held perception that he is, to coin a cliché, a "safe pair of hands".

Furthermore, as one trade unionist put it: "John has always been seen as the obvious successor of proven weight. Why would we risk it all now for some sort of gamble?"

That view is common in the union movement where Mr Smith has more than momentum on his side. He already commands the broad support of two of the three union giants – the GMB and the soon-to-merge engineers and electricians.

He may not have to wait long to get the final card in this three card trick – the mighty TGWU general workers union. All these unions would have to ballot their members, but there is little likelihood that the rank and file would disagree with their leaderships.

In consequence, when an electoral college is gathered, many smaller unions would fall in behind the giants, delivering the bulk of the unions' 40 per cent share of the college to his campaign.

With Mr Robin Cook and Mr Gordon Brown, respectively the health and the trade and industry spokesmen, now believed unlikely to run, the Scottish party – nearly a fifth of Labour's total representation at Westminster – would also follow *en masse*. Scots' solidarity is deemed essential. Without it there are real dangers of schism between those now seeking an alliance with the Scottish Nationalists and the 'Unionists', opposed to any such collaboration in spite of the election outcome's dashing of the dream of a Scottish parliament.

Mr Smith can also expect the support of the great majority of the shadow cabinet, who know on which side their bread is buttered, and large swathes of the more traditional Labour activists in the constituency parties.

Popular in the country and in the the Commons – one hard left MP commented recently: "John has no real enemies" – Mr Smith's election looks a *fait accompli*.

So why is Mr Gould almost certain to stand? The answer lies in the lingering doubts.

Supporters of the New Zealand-born challenger believe that their man has an added ingredient that the shadow chancellor's somewhat old-fashioned, redistributionist style of Labourism lacks.

They argue that even had Mr Smith led this year's electoral assault on the Tory hegemony, he could not have won. And they add that only Mr Gould has the broader vision – perhaps, in part, due to his Antipodean roots – that could further develop the Kinnockite reforms to create a progressive "crusade" that would generate enthusiasm well beyond Labour's working-class base.

Try to pin Mr Gould down on the details of this vision and a certain vagueness descends. In a BBC interview yesterday, the shadow environment secretary was scrupulous in his praise for Mr Kinnock's campaign.

His critique centred, however, on the party's failure to do much more than eliminate negative policies and past mistakes and its concentration almost solely on issues rather than inspiring the voters' imagination.

When it comes to specific policy issues, Mr Gould's differences with Mr Smith are often a matter of tone.

Unlike his rival – whose views are undeclared – Mr Gould is a known critic of proportional representation. Today, he claims he is open to influence by the findings of Labour's Plant committee into electoral reforms, on which he sits.

More strongly diverging from Mr Smith, he is a Euro-sceptic and an advocate of at least a debate on sterling's positioning in the exchange rate mechanism – a clear signal that he favours devaluing.

All these positions will carry considerable weight with the hard left in the Campaign group, which will put up a merely symbolic candidate – Mr Ken Livingstone or Mr Dennis Skinner are being mooted.

But Mr Gould is also something that the old left despises – a bit of a yuppie. His meteoric rise in the aftermath of the 1983 election debacle was halted after 1987 by what was widely thought to be a devilish alliance between Kinnockite insiders, jealous of his growing influence, and the champions of old-fashioned Clause Four socialism.

A whispering campaign then poured scorn on his argument that Labour should "leapfrog" Thatcherism with a radical agenda including such ideas as promoting employee share-ownership schemes as a modern means of enhancing workers' influence on corporate decision-making. He is keen that Labour's close links with the unions, not least in their voting strength at conference, be reduced rapidly.

Other arguments for Mr Gould are negative ones. Mr Smith, say his opponents, is already a familiar face and could look stale by the time of the next election. Furthermore, he has had a heart attack – is he up to the strain of the leadership? Mr Smith's supporters reply with a list of the Scots peaks he has climbed.

For Mr Gould, his best, perhaps his only, hope of upsetting the Smith bandwagon is to have time to put his case and to go out and take it to the party around the country. For that reason, his camp will fight any effort to bring forward the finale of the contest before the Blackpool conference in October.

But on this they may already be too late. If Mr Kinnock today argues that the hand-over should be as soon as possible, Labour's national executive committee could order the process to be completed by June. "Bryan's problem is that he has a very complex message to sell," said one of his admirers. "The election is not a left-right battle, it is much more blurred. For that reason, Smith looks like a shoo-in."

## Lang urged to call a referendum

By James Buxton, Scottish Correspondent

THE LABOUR party in Scotland yesterday challenged Mr Ian Lang, the Scottish secretary, to stage a referendum on the country's constitutional future.

Mr Donald Dewar, shadow Scottish secretary, made the challenge after a meeting of most of the party's 49 Scottish MPs. He was picking up on a remark by Mr Lang who on Friday said that a referendum was a "possibility" in the continuing question of Scotland's constitutional future.

For Mr Dewar, the referendum challenge is an attempt to seize the initiative in Scottish politics and to defuse the crisis which his party faces in Scotland. Once again it finds itself the largest party north of the border while its hopes of coming to power and implementing its plans for a Scottish parliament where dashed by the Tory election victory.

The challenge is also a way of trying to head off an incipient revolt by some Scottish Labour MPs who at the weekend founded Scotland United, intended to be a grouping of all non-Conservative parties in Scotland, which between them won almost 75 per cent of the vote last Thursday.

Last night about 3,000 people attended a rally in George Square in Glasgow organised by Scotland United. They were addressed by Mr George Galloway, the leftwing Labour MP for Glasgow Hillhead who is on the wing of the party that is sympathetic to Scotland's eventual independence.

Scotland United's stated aim is to campaign for a multi-option referendum, although Mr Galloway has also spoken of the possibility of civil disobedience and has echoed the Scottish National party argument that the Conservatives do not have a mandate to govern Scotland.

Mr Dewar said the referendum would have to cover the constitutional status quo, the scheme for a devolved Scottish parliament devised by the Scottish Constitutional Convention, and independence. Mr Lang would have to abide be the result, Mr Dewar added.

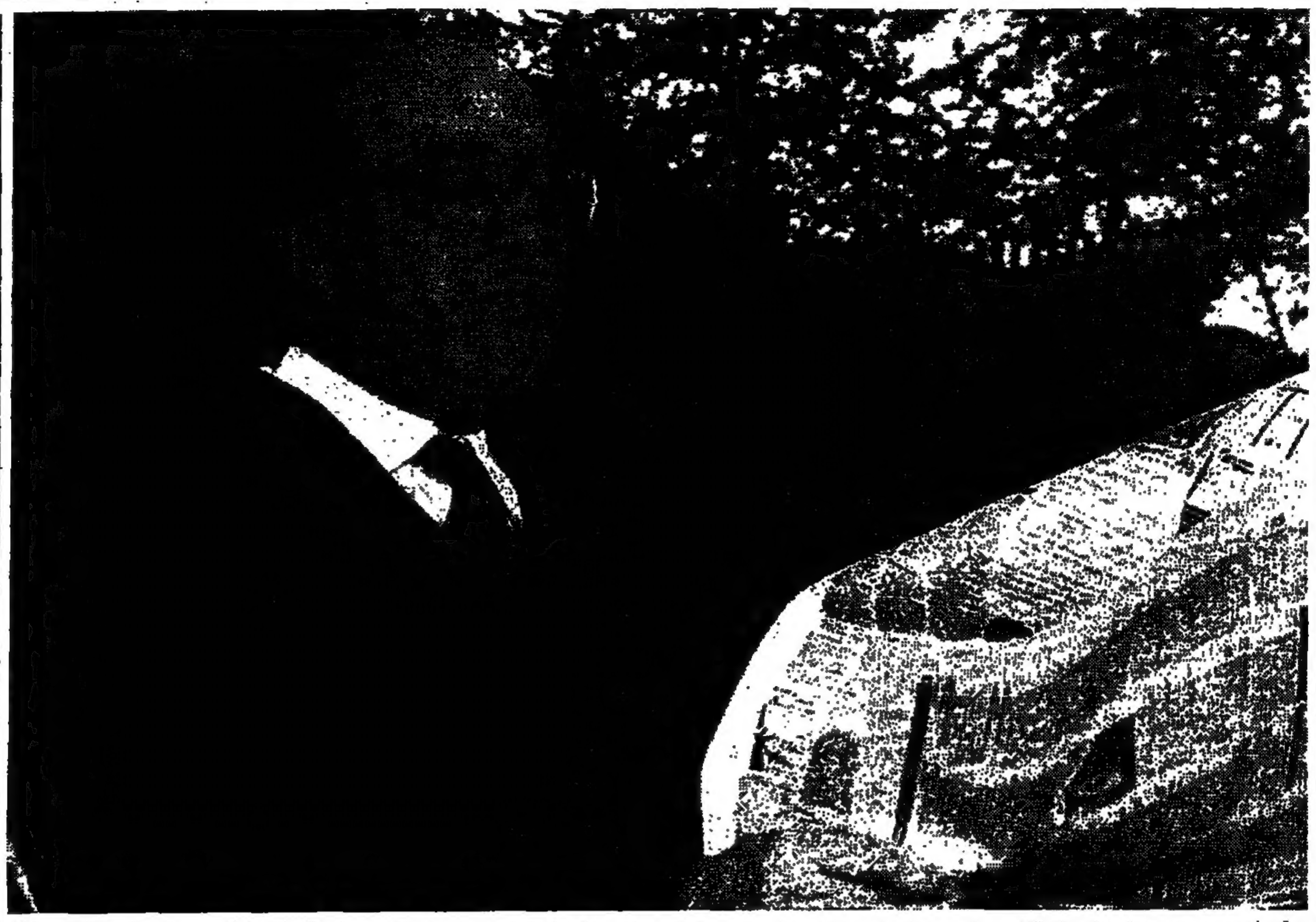
"The Tories have always claimed that faced with the choice Scotland would vote for the status quo," said Mr Dewar. "They should have the courage to put the matter to the test."

If Mr Lang did not deliver, "bitterness and instability will be the mark of his government."

The Conservative party is anyway considering what response to give to the demand for constitutional change following its election victory. But on Friday Mr Lang heavily qualified his remark about the possibility of a referendum by saying it would have to be based on a specific proposition, preferably one enshrined in law, as was the case with the 1979 referendum on devolution for Scotland.

The SNP has not joined Scotland United although some prominent individual supporters such as Mr Pat Kane, a rock singer with the Scottish group Hue and Cry, were at last night's rally.

The SNP is concentrating its efforts on achieving victory in the district council elections of May 7. It will fight on a platform promising to use district councils in which it wins control to organise a multi-option referendum.



Calm before the storm: John Smith, favourite to succeed Neil Kinnock as Labour leader, relaxes in his garden with the Sunday papers yesterday

## Mayhew move gets muted welcome

By Tim Coone and Ralph Atkins

SIR Patrick Mayhew's appointment as Northern Ireland secretary received a muted welcome in Dublin yesterday – revealing suspicions that he needs to over come in the Irish Republic if "round-table" talks on Northern Ireland are to resume.

Regarded as affable but determined, Sir Patrick had a record as attorney general that soured relations with Dublin.

He clashed with the Irish judiciary over the extradition of Father Patrick Ryan, on alleged terrorist offences in 1988, and for not prosecuting members of the security forces accused of operating a "shoot-to-kill policy".

Sir Patrick will meet his Irish counterparts at an Anglo-Irish conference later this month. In theory that should lead to a suspension of further conferences, allowing inter-party talks on the political future of Northern Ireland to restart.

Mr John Major's decision to replace Mr Peter Brooke may not lead to a smooth transition – not only because of Sir Patrick's past rifts with Dublin.

Mr Brooke earned as a reputation as a skilled conciliator, adept at keeping Unionist and nationalist politicians at least moving towards the negotiating table. The welcome Unionist MPs gave his appointment of Sir Patrick will only exacerbate nationalist suspicions.

Mr Major's decision to replace Mr Brooke probably reflects their differing personalities and political outlook. Mr Brooke was an old-school Tory, uneasy with Mr Major's classless Conservatism and new generation of ministers. Yet Sir Patrick, aged 62, is older than Mr Brooke.

Yesterday the Irish government said that it looked forward to working with Sir Patrick, but unofficially there was disquiet.

"I would not have been enamoured by some of his decisions as a lawyer," said Mr Jim Tunney, the chairman of the ruling Fianna Fail party. "But law is different from politics, and I would rather wait and see how he performs as a politician."

A spokesman for the opposition Labour party, the sister party of the SDLP in Northern Ireland, said: "He would not have been our choice. He has a record which makes us uneasy, although the person appointed is less important than a commitment to the talks process."

## Portillo likely to be tough on spending

By Peter Norman, Economics Correspondent

MR MICHAEL Portillo's appointment as chief secretary to the Treasury points to battles ahead as the government attempts to bring public expenditure under control.

At this time of year it is commonplace for ministers and Treasury officials to forecast that the annual public expenditure round will be "the most difficult in years". But the prediction will be truer this year than in most. The ingredients for tough negotiations between Mr Portillo and his Treasury officials on the one hand and the spending ministries on the other are in place:

- Mr Portillo is a supporter of low taxation as the way to create a strong economy.
- Provisional spending plans already envisage a pronounced deceleration in the growth rate of government expenditure to 7.9 per cent in 1993-94 and 5.5 per cent in 1994-95 compared with 10.7 per cent in the current and 13.7 per cent in the past financial years.
- The Tory manifesto commits the government to reducing the share of income taken by the public sector. It says public spending is peaking at 43 per cent of gross domestic product in the recession and that the aim is "to reduce this steadily as the recovery gets under way".

On the other hand the recession has reduced tax revenues and boosted benefit payments.

The absence of recovery in the first quarter of this year might mean that the Budget spending projections for 1992-93 are too low and its tax revenue forecasts too optimistic. Already the Treasury is concerned that higher than expected spending on single parent and disability benefits is causing social security outlays to grow faster than anticipated.

Mr Portillo may find be will have to cut public expenditure growth targets in 1993-94 and subsequent years if the government is to keep to its goal of balancing the budget over the business cycle and reduce the public sector borrowing requirement from the £28bn forecast for 1992-93 and £32bn for 1993-94 to £6bn in 1996-97.

## Baker delays return for Patten

MR KENNETH BAKER has made it clear that he does not intend to give up his safe parliamentary seat – thus ruling out speculation that he might make way for a by-election which could return Mr Chris Patten, the party chairman who lost his seat in Bath. Mr Baker made his wish to keep his seat apparent in his letter of resignation as home secretary.

At the election, Mr Baker, who is 57, won a majority of nearly 16,000 in his constituency of Mole Valley, Surrey. He wrote to the prime minister: "I intend to continue to serve my constituents ... as I consider it a great honour to represent this seat." Mr Baker declined the offer of demotion to Welsh secretary.

Mr Tom King, the former defence secretary, said in his resignation letter that he had told Mr John Major before the general election that he would soon like to take a break from his cabinet responsibilities.

Mr King wrote: "Now that you have led us to this tremendous victory, with the clear prospect of a full five-year parliament, "I fully understand that you would prefer to make the change now and establish a new team in cabinet for the longer term."

Mr Major wrote to Mr Peter Brooke, who be sacked as Northern Ireland secretary: "Thank you for agreeing to put your portfolio at my disposal so that I can bring some new faces into the cabinet." Mr Brooke, in his brief one-paragraph reply, wrote: "You have the warmest possible support from the whole party for the magnificent way you led us to our historic victory." Although the letter ended: "Yours ever," in the copy that was released by Downing Street it was unsigned.

In bis letter to Lord Waddington, who resigned his post as leader of the House of Lords, Mr Major also referred to his desire to bring younger people into the cabinet. In his reply Lord Waddington replied said that he recognised that "at the age of 62 it is time for me to go."

## Subtle race to be Speaker

By Ralph Atkins

WITH the election over, the far subtler race to become Speaker of the House of Commons began yesterday.

The dropping of Mr Peter Brooke as Northern Ireland secretary clears the way for him to succeed Mr Bernard Weatherill who retired before the election. But Mr Brooke faces a strong challenge from Mr Terence Higgins, former Tory chairman of the Commons' Treasury committee.

Other challengers are expected to include Sir Giles Shaw, the Tory MP for Pudsey and a former industry minister. If MPs defied expectations and picked a Labour alternative, the front-runner would be Mrs Betty Boothroyd, currently one of the deputy speakers.

Mr Brooke's strengths are the respect in which he is held by many Labour MPs, his sense of history and his regard for procedural proprieties.

He is regarded affectionately among Tory backbenchers for his old-fashioned courtesy – but he may not necessarily be appreciated by fiery Labour critics.

He may also lack an ability to control the Commons at its most tense moments. He is not authoritative by nature. He succeeded in bringing Ulster politicians to negotiations via patient progress rather than the well-chosen directive.

Mr Higgins is similarly gentlemanly, but has spent longer earning the respect of backbenchers and is believed to be building cross-party support. He has not been a minister since the 1970s.

## Union leaders will look to Brussels for muscle

By David Goodhart, Labour Editor

UNION leaders surveyed Labour's election defeat and concluded that the fight for influence will have to continue through the European Community. "We will have to fight London from Brussels," said Mr John Edmonds, leader of the GMB general union.

Leaders such as Mr Edmonds believe that British employment law will be increasingly influenced by EC regulations, in spite of the government's "opt-out" from an extension of EC employment legislation.

Others, including Mr Bill Morris, head of the more left-wing TGWU general union, said another attempt must be made to offer a "consensus agenda" to employers and the government. He said: "The government must at least be given a chance to show if it is interested in consensus."

The acid test will be whether the government proceeds with plans to further restrict union action and finances. Some union leaders believe the planned legislation was a gambit to sustain the union bogey in the election campaign, and will now be dropped.

The government proposals include ending the automatic "check off" of dues. This could exacerbate the financial crisis facing many unions.

Financial pressure could lead to a review of the role of the Trades Union Congress. Union mergers are creating "super-unions", which believe they can do most of the things that the TUC does and resent paying large affiliation fees to it. The TUC's role may be reduced to European lobbying, health and safety, and campaigning on a few themes such as women's equality.

Mergers will continue, and the Tory victory is likely to speed up the much-rumoured one between the TGWU and the GMB general unions.

The unions will continue to play an important part in the Labour party, providing much of its financial backing. But if it appears that Labour can never win an election, the trend towards a loosening of the ties will gather pace.

## EC presents foreign policy challenge

By David Marsh, European Editor

MR JOHN Major's greatest foreign policy challenge during the next five years will be to turn relations with the European Community into a source of opportunity, rather than a threat to British interests.

By returning to power with a solid mandate at a time when governments in the other three main EC countries – Germany, France and Italy – are looking shaky, Mr Major has been dealt a strong hand.

The move towards a "federal" Europe – attacked by Mr Major during his election campaign – has been dealt a severe blow during recent weeks, as some of the compromises agreed at last December's Maastricht summit have started to come unstuck.

Senior British ministers believe that the Maastricht timetable towards monetary union has been slowed by Germany's post-unity difficulties. German officials are now talking of the possibility that Germany may fail to meet the economic performance targets laid down as criteria for movement to a single European currency in 1996-97.

Mr Major's trump card is likely to be his friendship with Mr Helmut Kohl, the German chancellor. Although he is not ill-disposed towards Mr Neil Kinnock, Mr Kohl showed a clear preference for Mr Major remaining in office.

Germany's waning enthusiasm for rapid moves towards European union is likely to create more room for common ground between London and Bonn. Britain hopes to stage a summit meeting with the German government in June, shortly before the UK takes over the presidency of the EC.

The prime minister expects to devote considerable attention during the British presidency to the question of widening the Community. Sweden, in particular, is looking to Britain for a lead to advance its hopes for EC membership.

Mr Major is also expected to arrange soon a meeting with Mr Pierre Bérégovoy, the new French prime minister. The two already know each other from their previous meetings as finance ministers. Mr Major respects Mr Bérégovoy's pragmatism, and has noted with satisfaction his introduction of tax cuts to try to get the French economy moving.

While the Franco-German relationship remains the key bilateral partnership in the EC, links between Paris and Bonn have been affected by disillusionment since German reunification. British officials believe that Mr Major may be in a strong position to vie for Chancellor Kohl's favours – and possibly push his relationship with President François Mitterrand into second place.

A crucial test will come during attempts to solve the impasse in the negotiations on the General Agreement on Tariffs and Trade (Gatt) during the next few weeks. Mr Major will use his influence with Chancellor Kohl to try to work for a free-trade breakthrough. Here, Mr Kohl would risk alienating France, which has opposed central elements of the proposed Gatt measures to liberalise agriculture.

Defence is another area in which Britain will need to show imagination in European policies. Hopes of genuine trilateral co-operation between Britain, France and Germany in working out a new European security partnership have so far foundered on the three countries' differing perceptions of their national interests.

However, British officials are optimistic that Mr Malcolm Rifkind, the new defence secretary, will strike up a constructive relationship with Mr Volker Rühe, the new German defence minister.

One British official yesterday described the Rifkind-Rühe tandem as "made in heaven". The simultaneous arrival of two younger generation defence ministers offered a golden opportunity to break the European defence impasse, he said.

# Exporters to demand more government aid

By Charles Leadbeater, Industrial Editor

EXPORTERS are to demand a change in government policy after a meeting during the general election campaign at which they were assured by Mr John Wakeham that an incoming Conservative government would address their criticisms.

Mr Wakeham, a former energy secretary who is to be leader of the Lords in the new government, held a confidential meeting a fortnight ago with representatives of export organisations including chambers of commerce, the Confederation of British Industry and the Institute of Exports.

"The point was to drive home the way the Treasury strangles support for exports while our competitors get much more help," said an export association official who attended the meeting.

The organisations had asked to meet Mr John Major, the prime minister, after mounting frustration that repeated meetings with junior trade ministers had failed to convey their concerns to the highest levels of the government.

Some of the bodies represented at the Wakeham meeting wanted to make their disenchantment with government policy public. They were persuaded to keep their concerns private by Mr Wakeham's assurance that their worries would be addressed by a new Conservative government.

A strengthened and streamlined approach to export promotion is likely to be one of Mr Michael Heseltine's priorities in his new role as trade and industry secretary.

An exporter who attended the Wakeham meeting said: "We pointed out that Labour had come out with positive proposals to help exporters and the Liberal Democrats were fairly clear. But we had been through the Tory manifesto, and other than vague references they had not said what they would do to help exporters."

Exporters want a significant reduction in export insurance premiums to match levels elsewhere in Europe. They also want a consolidated advisory service to promote exports. The CBI last week focused on export promotion as one of its main priorities for the incoming government. It proposed concentrating all export promotion at the Department of Trade and Industry.

# Halifax forecasts rise in house prices by year's end

By David Barchard

HOUSE PRICES should be on a gently rising trend by the end of the year, even though they are likely to remain weak over the next few months, Halifax Building Society said yesterday in its monthly housing market figures.

Halifax says that house prices were almost static last month, rising 0.1 per cent. The slight rise compared with falls of 1.2 per cent in January and 1.1 per cent in February. However, on a seasonally adjusted basis, house prices were still weak last month, falling 0.8 per cent.

Prices were generally stronger outside southern England, and in Scotland and Northern Ireland were higher than at the same time last year.

UK house prices fell by 5 per cent in the 12 months to March 1992. Prices in Greater London and the south-east were 8.4 per cent and 7.7 per cent respectively lower than in March last year.

# Rover unions prepare to back a productive future

**Michael Smith** looks at the Japanese-style proposed deal

ROVER, the British Aerospace subsidiary, will learn today whether its 32,000 employees have backed a Japanese-style package which could make enable them for the first time to become significantly more productive than their counterparts at several other UK car companies.

Unions will today announce the results of a ballot on the package – one of the most comprehensive attempts by a UK car manufacturer to transform working practices and bargaining procedures.

After nine months of negotiations union leaders have warmly embraced the package. Seen as Rover's answer to the growing threat from Japanese manufacturers, it includes plans to remove remaining job demarcations and to reduce the risk of strikes. It woulds also cut the number of pay-bargaining forums from two to one and require "continuous improvement" from all workers.

In spite of attractions which include improved job security and common terms and conditions for all workers, some may vote against the package because of relatively minor clauses. One fear is over the phasing-out of "clocking on" arrangements. Some workers are wary of trusting attendance records to team leaders.

The main elements of the package would eventually be introduced even if there was a vote against it. Some changes, including greater team working and flexibility, are already under way.

A vote against the package would, however, arrest the progress in the introduction of the cultural change the company is trying to instil in its workforce to improve competitiveness.

Professor Daniel Jones of Cardiff Business School, who specialises in motor-industry management, said full implementation would help the productivity gap between Rover and Nissan. He believes it would enable Rover to move ahead of Ford's and General Motors' UK operations in terms of hours per worker in the body and assembly plants.

On the line: if unions accepted the deal, it could help to narrow the productivity gap between Rover and Nissan

In the past few years, all UK car manufacturers have adopted changes in working practices and conditions. Union leaders say the Rover package embraces more change than other companies have made in one attempt.

The clause which has attracted most attention is one which some observers have interpreted as offering "jobs for life". It says: "Employees who want to work for Rover will be able to stay with Rover." Staff reductions would be achieved through retraining and voluntary severance.

In spite of the guarantee, union leaders have no illusions that if the car market were to dip markedly, compulsory redundancies could not be ruled out. Mr David Bower, personnel director, says: "It is difficult to say there would never be compulsory redundancies, but that is the intention."

The agreement does not include a no-strike clause but introduces the possibility of disputes being solved by binding arbitration if both sides agree. It also includes changes which would make it harder for one union acting alone to call out its members on strike.

As part of attempts to erode demarcations, the agreement states that "employees will be expected to be flexible, subject their ability to do the job."

# Opposition to roles for investors reported

By Norma Cohen, Investments Correspondent

MANY finance directors are opposed to allowing shareholders a greater say in corporate decision making, according to a survey by 3i, the venture capital group.

The survey questioned finance directors in about a third of the UK's 750 largest companies. It found that many were opposed to corporate governance reforms which give more control to shareholders.

Some of the options for reform are expected to be backed by the Cadbury committee's investigation of financial aspects of corporate governance when it publishes its report next month. The committee, chaired by Sir Adrian Cadbury, is expected to recommend that audit and remuneration committees be composed solely of non-executive directors who in turn should have special responsibilities for reporting to shareholders.

Allowing shareholders to be represented on audit and remuneration committees was opposed by 82 per cent of and 78 per cent respectively of those surveyed, while 78 per cent opposed consultation with institutional shareholders on new board appointments.

The survey found that 38 per cent of finance directors either favoured a two-tier corporate board structure or were unsure of its merits. A third believed that more stakeholders such as employees and local communities should be represented on boards.

In addition, the survey found that most finance directors believe that the UK's current system of corporate governance was biased toward short-term results at the expense of investment and long-term performance.

A total of 45 per cent of those surveyed said that in spite of their concerns about short-termism among investors, they had not taken adequate steps to ensure that their own pension-fund trustees had a sufficiently long-term outlook.

# Thames TV and BBC to launch satellite channel

By Raymond Snoddy

THAMES TELEVISION has linked with BBC Enterprises in a move to launch a satellite television channel as early as September.

The channel, which will be broadcast by the Astra satellite system, will be devoted to general entertainment based on thousands of hours of programmes in the Thames and BBC libraries.

It is the first new project to be announced by Thames since October when it lost its franchise. The company ceases to be a broadcaster at the end of this year. Thames and the BBC will each hold no more than 20 per cent of the new joint venture, and other minority investors are being sought.

Mr Richard Dunn, chief executive at Thames, said yesterday that the new Astra venture did not preclude a minority investment in a Channel 5 bid. The decision on Channel 5 will be taken within the next few weeks after the Independent Television Commission publishes the terms of the licence for the new national channel.

The main thrust of the new Thames strategy is to be an independent programme producer and supplier. BBC involvement in the new channel, which will be available to more than 3m cable and satellite homes in the UK from the outset, is part of the corporation's strategy to become involved in the new media while exploiting 25,000 to 30,000 hours of commercially useable programmes in its library.

"This could be the first of many investments in other niche channels that might appear on Astra," Mr James Arnold-Baker, chief executive of BBC Enterprises, said yesterday.

The new satellite channel will need a total investment of £15m to £20m, and the companies intend to earn money from both advertising and subscription.

Mr Dunn believes satellite television will follow the pattern of cable with bands of different charges. In addition to the premium fee for such programmes as recent films and exclusive sports events there will also be a basic tier of channels with a more modest charge for the entire package.

"We are confident that the time is right for the introduction of this high quality, popular programming service for satellite and cable viewers, and we are delighted to create it in partnership with the BBC," Mr Dunn said yesterday.

# Creation of Edinburgh as 'second capital' urged

EDINBURGH should become Britain's second capital and government departments should be moved to Scotland, according to the Institute of Economic Affairs, the right-wing think tank.

Professor Christie Davies, Professor of Sociology at Reading University, says the creation of a second capital would create jobs and aid development in Scotland and halt moves towards political independence.

Making Edinburgh a second capital would "siphon off some of the excessive development of the south-east and channel it to Scotland," he says in an article in Economic Affairs, the institute journal.

"An all-British presence in Scotland would provide Scotland with far more jobs and a far greater sense of national importance than a regional assembly or a Caledonian government ever could."

Prof Davies warns that if Scotland became independent it would fall "into the kind of hopeless poverty that afflicts all the small countries on the fringe of the European Community".

# Insurer to sell some of its City property

By Vanessa Houlder, Property Correspondent

NORWICH UNION, the insurance group which is one of the largest property investors in the UK, has put nearly a quarter of its £1.25bn central London office portfolio up for sale.

Mr Nick Price, chief estates manager, said he was not aware of any of the property having been damaged by Friday's bomb attack in the City.

The attempt to sell the office blocks results from Norwich Union's desire to reduce its exposure to UK property and channel more of its funds into bonds and overseas property.

Norwich Union has an unusually high exposure to UK property, which accounts for £3.5bn of its £12bn with-profits life fund. "We were very overweight in property by comparison with our competitors," said Mr Price.

The group is concerned about the long-term growth prospects of property, particularly in the City, where the oversupply of offices is expected to delay the recovery in rental values for several years. Values of City offices fell by 33 per cent last year, according to the Investment Property Databank, a research group. UBS Phillips & Drew, a City broker, predicts further falls of 22 per cent by the end of next year.

News of the proposed sale contributed to the depressed state of property shares on Friday which resisted the upward trend of the rest of the stock market. Analysts viewed the decision as further evidence of the pressures facing the property sector, which is suffering from oversupply, falling rental values and high borrowings.

Norwich Union is also disposing of three shopping centres at Enfield, Barnet and Birmingham. The sales, which are on the point of completion, will raise £80m.

# Battered City strives for business as usual

By Jimmy Burns, Cathy Milton and Richard Lapper

FOR THE many City workers affected by Friday's IRA bomb, there was perhaps no more telling image than the sight of senior managers and employees of Sanwa Bank, wearing suits and protective hats, carrying black plastic bags down Cornhill.

The bags contained the remains of the main London offices of one of Japan's largest banking institutions, which had its windows and furniture wrecked when the blast shattered the Commercial Union tower it occupies.

"It's like a scene from Beirut. It's complete and utter devastation," commented one property surveyor after assessing the damage to this and other buildings over the weekend.

Structural engineers who continued to inspect the area yesterday said up to 1m sq ft of office space was damaged by the blast.

The cost of repairs, at an estimated £150 per sq ft, could total £1.5bn.

Official estimates yesterday put the number of affected businesses at 36, in some 40 buildings.

Although the Baltic Exchange and the next door Chamber of Shipping are the only buildings that will have to be demolished, several blocks in the surrounding area remained cordoned off by police yesterday as engineers continued their inspections.

BT said that up to 12,000 lines served by its exchange in the area had been disrupted by the blast, which was focused on St Mary Axe, a street linking Houndsditch and Leadenhall Street.

BT engineers worked throughout the weekend, diverting telephone services for customers and providing lines and equipment to companies that had been forced to relocate temporarily.

BT also set up two mobile payphone caravans yesterday at the junctions of Leadenhall Street and Bishopsgate, and Billiter Street and Fenchurch Street, from which customers will today be able to make essential calls free of charge.

Damage to the Commercial Union tower, which was opened in 1969, was concentrated at the north-east corner.

Virtually all the building's glass was knocked out and there was widespread damage to floors, ceilings and fittings.

However, early indications are that the building's core is intact. Power lines have not been cut and it is hoped that lifts can be restored.

According Mr Richard Owen, a senior UK director of CU, there is "no chance of re-occupancy for some months," and repair work could take up to a year.

Loss adjusters, including London-based Robins, Davis & Little, are quantifying the cost of damage. substantial.

Work on removing glass began yesterday when contractors from the specialist glass supplier, Sola Glass, moved in. It will take several days to complete.

Other insurance companies affected include two Lloyd's agencies, Cassidy Davies and Roberts & Hiscox.

Cassidy Davies manages underwriting syndicates at Lloyd's specialising in political risk insurance, and has pioneered insurance against kidnap and ransom.

Ms Beryl Hobson, Cassidy's marketing manager, said yesterday that a small crisis management team had met over the weekend and had completed plans to move operations to new premises near Liverpool Street railway station.

The agency, which employs almost 80 staff, was still assessing the damage, but Ms Hobson insisted that it will be able to trade today. "It's business as usual," she said. "We are not going to be deflected by this little lot."

Rosehaugh and Stanhope, joint owners of the nearby Broadgate office development, were also in defiant mood, having moved quickly to allow companies affected by the blast to use previously empty office space.

These businesses include Commercial Unit Asset Management and US law firm Sherman Stirling, which have rented fully-equipped office accommodation for periods ranging from three weeks to more than a year.

# IRA slips through security net again

**Jimmy Burns** on how the bombers manage to wrongfoot the anti-terrorist squad

Shattered: workers remove panes of glass yesterday after the bomb blast that damaged many buildings in the City

THE IRA bomb strikes at the heart of the City, and on a stretch of road in north London, have again demonstrated the capacity of one of the world's best disciplined and determined terrorist organisations to wrongfoot the security forces.

Britain's anti-terrorist squad has been in a state of high alert ever since the IRA served notice five weeks ago that it would try to disrupt the general election.

The squad believed there was at least one IRA cell on the mainland and that the most likely target would be a senior politician. Its efforts appeared to have been focused on maximising covert protection throughout the campaign.

The fact that the IRA only struck only once during the campaign – ineffectually, with a small device in Soho – reflected not so much on the success of the police operation as on the IRA's decision to plan one step ahead.

Security experts rule out suggestions that Friday's bomb was a kneejerk reaction to the electoral defeat in West Belfast of Mr Gerry Adams, president of Sinn Fein, the political wing of the IRA.

The sheer size of the bombs detonated on Friday suggest the action was planned over weeks and would have involved at least one team of IRA volunteers on surveillance of the area as well as on the assembly and transport of the explosive devices.

This team is likely to have been senior to and better organised than the cell responsible for placing less destructive devices such as the one on a railway line on Budget day.

Friday's bombs are likely to have been kept in a "safe house" in London for several days before being transported in vans to their final destinations.

The timing of the City bomb in particular suggests that it was placed to coincide with a post-election security lull and to maximise the propaganda effect.

During the campaign, City of London police concentrated on protecting buildings in their area and the local MP, Mr Peter Brooke, the outgoing Northern Ireland Secretary.

But by Friday night security arrangements were being wound down and the London marathon rather than the IRA was drawing on the limited police resources available at the weekend.

There continued to be speculation yesterday that the IRA had intended to bomb the Stock Exchange – and thus halt business there – while minimising the loss of life. But even given such a miscalculation, hardliners within the IRA will have judged Friday's bomb a success.

The bomb shook a City that was beginning to celebrate the Conservative victory and the prospect of political stability and economic recovery. The two blasts reminded Mr Major that, however much Northern Ireland was ignored as an issue during the election campaign, it will have to remain high on the security and political agenda as long as the IRA maintains its military capability.

Among the many position papers the prime minister will read in the coming days is one from a Home Office official which suggests the possibility of the M15 taking over from the Metropolitan Police some of its anti-terrorist responsibilities on the mainland. Some security experts believe the anti-terrorist squad's failure to arrest any of the significant figures in the current mainland campaign or to avert incidents such as Friday's point to organisational failings.

But as one senior Special Branch officer admitted during the weekend, there is a thin divide between stepping up security and undermining the democratic system which the police are entrusted to protect.

It is such dilemmas which the IRA attempt to exploit.

# Baltic employee who died worked on dealing floor

By Kenneth Gooding

THE BALTIC Exchange, which arranges most of the world's freight chartering and more than half the world's ship sales, had one employee killed and six injured, one seriously, by the IRA's bomb blast. It will lose its historic headquarters.

The exchange had been preparing yesterday to open for business in temporary accommodation. However, although it would have been possible to hold a market from 9am today, the exchange decided, after consultation with the police and other authorities, to delay starting.

The Baltic has set up temporary headquarters in the Lloyd's of London building not far from the scene of the blast. Mr Jim Buckley, the Baltic's deputy chief executive, said: "We could have had a market. But we will not, because it would be unwise to bring people into this area, and the police would prefer us not to."

The Baltic employee who died under rubble after the bomb exploded has not yet been named. He was a "waiter", one of the liveried attendants on the exchange trading floor, who on Friday evening was on security duty. Another Baltic security man is still in hospital, but four cleaners who were hurt in the blast were discharged after treatment.

Mr Buckley praised the help given by the Lord Mayor of London and said offers of accommodation came "from all round the City" soon after the extent of the devastation became clear.

However, following contacts between Mr David Coleridge, chairman of Lloyd's, and Mr Peter Tudball, chairman of the Baltic, some space was cleared yesterday at Lloyd's and exchange staff moved some records there.

The exchange's "floor" is usually a daily meeting place for ship brokers ready to move world trade 24 hours a day. It handles more than half the world's bulk cargo movements.

The Baltic owns the freehold of the exchange building in St Mary Axe, built between 1900 and 1903, and its frontage and domed trading floor are listed. It is insured by Royal Insurance and a group of other companies. Two years ago members shelved a £100m scheme to rebuild and decided instead to refurbish the existing building.

Mr Ted Hartill, the City of London surveyor, said last night the exchange building had been very badly damaged and would have to be demolished and rebuilt.

The exchange expects that its usual telephone number in London – 071 623 5501 – will be working today and inquiries can also be made on 071 283 9300.

In tatters: Commercial Union's headquarters in the City may have to be demolished

# CU expects normal trading today

By Richard Lapper

COMMERCIAL UNION, the company worst affected by Friday's bomb blast, expects to be trading normally today after a weekend of concentrated effort by its executives.

Mr Richard Owen, one of a number of directors involved, said: "We're aiming to be back in a trading position as fast as possible."

CU occupies 10 of the 23 storeys of the Commercial Union tower, its international headquarters. It is possible that CU, along with other UK companies, is one of the building's insurers.

CU intends to move its 650 staff who worked in the building to six sites, four of them in Croydon, south London, and two in the City.

An advertisement in national newspapers this morning tells staff which office to go to.

Mr Owen, together with other UK directors led by Mr Peter Ward, UK managing director, met yesterday morning to plan how to cope with the aftermath of the bombing.

An immediate priority is the restoration of telephone communications.

The CU tower housed the group's central telephone and computer exchange, linking its branch operations nationwide. By last night, it had been reconfigured and moved to Whyteleafe, Surrey.

CU was less badly affected by the blast than it would have been had it occurred 10 or 15 years ago.

The group moved many of its back office claims and administration functions to Croydon in the early 1980s. The building damaged by the bomb houses CU's London market insurance operations, the group's main asset management divisions, the Quilter Goodison stockbroking subsidiary and central corporate finance and strategic planning units.

CU owns 20 per cent of the building as part of a consortium and holds the head lease.

Quilter Goodison, the private client and fund management arm of CU, said yesterday it would relocate about 150 of its 200 staff to the Cranwood Street, City Road, offices of ACT, the software bureau, and expected to be operating normally this morning.

## MANAGEMENT

# Revolution behind closed doors

US boards have been described by a critic as '10 friends of management, a woman and a black'. But **Martin Dickson** says that bosses now have something to fear from non-executive directors.

Entrenched managements are under fire after a shift in the balance of power in US boardrooms: (left to right) Robert Stempel, Jack Smith, Lloyd Reuss, Lee Iacocca and Rod Canion

A remarkable display of muscle-flexing by non-executive directors of General Motors is sending shock waves across corporate America and may lead to a big shift in the balance of power in US board rooms.

The potential winners: shareholders and non-executive directors. The losers: entrenched management.

On Monday of last week the GM board's non-executive members, tired of the company's heavy losses and impatient at its pace of change, took matters into their own hands.

Led by John Smale, a former chairman of Procter & Gamble, the consumer products group, the directors demoted two of the company's top managers, including the right hand man of Robert Stempel, the chairman.

They also changed the functions of the board's executive committee – which theoretically wielded power between board meetings but in practice never met – to make it a more active body to offer advice to Stempel. And at its head they installed Smale.

The upshot is that while Stempel is still running the company on a daily basis, he has a powerful group of directors breathing down his neck – and one which is plugged in to a more comprehensive flow of information about the business.

This, coupled with the demotion of his lieutenant, Lloyd Reuss, GM's 55-year-old president, sends a simple but powerful message: perform, or else. Reuss was replaced by Jack Smith, head of GM's international operations, who has also been appointed chief operating officer.

America's non-executive directors have a well deserved reputation as "rubber stamps", passively accepting the decisions of day-to-day management. Yet over the past few years an increasing number have been trying to shed this image.

Directors of motor manufacturer, Chrysler, recently resisted efforts by Lee Iacocca to stay on as chairman after his retirement date. And last autumn the board of Compaq Computer dismissed Rod Canion, chief executive and co-founder of the business, in a clash over poor results and management style.

But such behaviour at a company like General Motors, the largest industrial business in the US, is nothing short of revolutionary. For decades, the company has been a by-word for insularity and bureaucratic complacency.

So the GM directors have created a powerful example which other companies may now follow. "This is a landmark development for the US," says Howard Sherman of Institutional Shareholder Services, a Washington-based group which advises large US investors on corporate affairs. "An act like this will really galvanise a lot of boards."

In the US, as in the UK, non-executive directors are meant to act on behalf of shareholders as a supportive check on the managers hired to run the business. But too often, say critics, they are merely "the parsley on the fish".

It is impossible to quantify just how influential non-executives have become because much of the action takes place behind closed doors. Dressing-downs as public as that delivered at GM remain rare.

Still, ISS's Sherman says his extensive discussions with outside directors makes clear that "they see their jobs very differently from just two years ago".

An important factor is the increasing importance in the US of institutional investors demanding better "corporate governance" – insisting that managers should be more responsive to shareholders.

The corporate governance movement was given a fillip by the 1980s takeover wave. On the one hand, this encouraged managers to introduce anti-takeover "poison pills" which protected their positions, but did not necessarily best serve shareholders. On the other, it made investors realise that it could be cheaper, and more effective, to simply change the management of a poorly performing company than go through the loops of a bid battle.

In its early stages the corporate governance movement concentrated on correcting specific abuses by management, such as "poison pills". But over the last two years, it has begun to say that a much more comprehensive change in the way boards are constituted and run is needed. Fix the board, runs the argument, and most other problems will fix themselves.

But that is a great deal easier said than done. The first problem is the nature of the individuals chosen to serve as non-executives. A company's outside directors will typically consist of senior managers from other businesses, often friends of the chief executive, together with a sprinkling of retired politicians, celebrities and worthies.

Graef Crystal, one of America's best-known critics of management pay-scales, has described boards as "10 friends of management, a woman and a black".

"Directors are picked because the chief executive knows them and knows they are likely to be on his side," says Robert Monks, a leader of the corporate governance movement, who highlighted the issue last year when he independently fought an unsuccessful campaign to get a board seat at Sears, Roebuck, the ailing stores group.

In theory, investors have the ultimate say over the choice of directors, since a shareholder vote is necessary for them to be elected to the board. Until recently, investors tended simply to nod through management's nominees but there are now signs of growing dissatisfaction with this process.

For example, some corporate governance activists have been trying to set up a data base of potential outside directors. Investors also played a big role in selecting nominees for the board of Lockheed, the aerospace group, when it found itself under threat from a corporate raider a year ago.

But even if some independent spirits do make it on to a board, they are likely to find it hard to take effective action.

Most large American companies have a majority of non-executive directors on their board but most also combine the positions of chairman and chief executive. This gives a company's top manager immense powers to set the agenda of the board which is meant to be monitoring his performance.

Here too there are signs of incipient shareholder revolt. At Sears, Roebuck, shareholders have put down resolutions for next month's annual meeting calling for the roles of chairman and CEO to be split.

Institutions are also trying to limit the power of chief executives by ensuring that board sub-committees, where much of directors' most important work is done, are controlled by outside directors.

For example, the California Public Employees' Retirement System (Calpers), the largest US public pension fund, and United Shareholders Association, another corporate governance group, recently pressured Ryder System, a large truck leasing business, into changing its corporate by-laws to ensure than a majority of directors, and all members of its pay and nominating committees, are non-executives.

Yet even if such reforms are carried out, non-executives can remain ineffective if they lack information. A powerful chief executive can keep a great deal from his board, whose non-executive members are busy people with limited time to spend digging around the business.

The GM board's action in this area is particularly intriguing. First, Smale appears to have spent many hours inside the company conducting a survey on senior executives' performance before launching last week's bombshell.

Second, his assumption of the executive committee chairmanship means that non-executives should be better placed to receive quick intelligence of what is going on.

Ross Perot, the combative Texan billionaire who was ousted from the GM board in 1986 after criticising management, used to describe his fellow directors there as "pet rocks". Last week the rocks stirred, and the result could be a small earthquake in many board rooms.

# How to keep up with the corporate Joneses

**Paul Taylor** explains why companies are turning to benchmarking to measure their performance

How does a company measure and improve its own performance? One way is by "benchmarking" its competitors.

Benchmarking is becoming increasingly popular, even though some companies are uncertain about how to do it, and others worried that it is somehow unethical.

For the uninitiated, benchmarking involves comparing the performance of a company to that of other companies. It is an alternative to the more usual internal yardsticks of performance.

Despite the undertones of industrial espionage, benchmarking is completely above board. There are two main ways of doing it, one which focuses on customers, the other on processes.

Competitor benchmarking covers the performance and relative strengths of direct competitors. The sources for the information include customer and supplier interviews and published data from research reports, conference reports, trade bodies and press comment.

By contrast, process benchmarking is not restricted to direct competition so data may be easier to obtain. Information is exchanged between companies with similar administrative and manufacturing processes – often through an intermediary to preserve confidentiality.

This provides all the participants with useful benchmarks without compromising competitive positions. British Steel's change from being a nationalised loss-maker into a lean, low-cost producer is one success claimed by benchmarking's fans.

British Steel began using benchmarking in 1988 before privatisation at a macro level to compare performance against other companies, and at a micro level to undertake detailed measurements against other steel plants.

Today, the company benchmarks costs, customer service, quality, reliability and responsiveness. Teams of technical and operational managers identify processes and plants and then measure them against comparable plants and the "best in the world". An action plan is then drawn up, perhaps linked to a capital expenditure plan.

In the service sector, British Airways used benchmarking since 1987 to help transform itself from a stodgy, state-controlled enterprise to a leading world airline.

Project teams of senior and front line staff from various departments analyse business processes and identify the weakest elements. They then visit direct competitors and other relevant organisations with checklists and questions.

British Airways has found that competitors are often willing to share information in the pursuit of answers to jointly perceived problems.

Once the project teams have collected their information, they make recommendations to senior management.

The proposals are made by the people who will have to live with them, which British Airways says is an important factor in making benchmarking work.

The success of these benchmarking exercises depends on focusing improvement in key areas, and setting targets which are challenging, but achievable. A T Kearney, the international management consultants, have used benchmarking in their client work for 10 years.

Companies increasingly recognise that motivating staff to improve current processes and setting tough but achievable targets requires identifying and quantifying "best practice", says Steve Young, A T Kearney vice president.

"The problem is that terms like 'best practice' and 'world class' are widely used and abused. Benchmarking gives a common framework by providing hard data. We find it makes organisations sit up and appreciate – often for the first time – the degree of change required."



## CONTRACTS & TENDERS

### INVITATION FOR BIDS

| | |
|---|---|
| Loan No | : 2602 TU |
| File No | : 1 |
| Order No | : 114-15B/DIB-256 |
| Date of Issuance | : 16.4.1992 |
| Bid Submission Date | : 1.6.1992 |

1. The TURKISH ELECTRICITY AUTHORITY, hereinafter referred to as TEK, has received a loan amounting 140.000.000. USD from the WORLD BANK in various currencies towards the cost of Power Systems Operations Assistance Project and part of the proceeds of this loan will be applied to eligible payments under the Contract(s) for which this Invitation For Bids is issued.

2. The TURKISH ELECTRICITY AUTHORITY now invites sealed bids from eligible Bidders for supply of a total of apparatus and equipment for distribution systems.

   All the above equipment shall be supplied according to the Bidding Documents.

   Each bidder may submit a bid for any item of instruments or combination of items, All bids and combination of bids shall be opened and evaluated simultaneously in order to determine the bid or combination of bids offering the total advantageous solution for TEK. The bidders shall be allowed to offer a discount price for the combination of the contract.

3. Interested eligible Bidders may obtain further information from and Inspect the bidding Documents as the office of:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Commercial Affairs Department
   İnönü Bulvari No: 27 Kat: 1
   Bahçelievler Son Durak
   ANKARA/TURKEY
   Telex: 42245 tek tr

4. A capable set of Bidding Documents may be purchased by any interested eligible Bidder on the submission of a written application to the above office and upon payment of a non-refundable fee of 50 USD or 300,000 TRL (excluding VAT) at the following address:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Department of Finance
   İnönü Bulvari No: 27 Kat: 4
   Bahçelievler Son Durak
   ANKARA/TURKEY

   Those Bids submitted by the Bidders who did not purchase the Bidding Documents shall be rejected

5. All bids must be accompanied by a bid security in an acceptable form of not less than 3% (three percent) of the bid price and must be delivered to the above office on or before 12.00 hours on 1.6.1992.

6. Bids will be opened in the presence of those bidders' representatives who choose to attend at 14.00 hours on 1.6.1992 at the office:

TURKISH ELECTRICITY AUTHORITY
General Management
Commercial Affairs Department
İnönü Bulvari No: 27
First Floor No: 7
Bahçelievler Son Durak
ANKARA/TURKEY

7. BILL OF MATERIALS
   1. Cable terminal crimper: 750 Quantity

## LEGAL NOTICES

Notice of Creditors Meeting.
TANDEM SHOES LIMITED
TANDEM SHOES (1987) LIMITED
TANDEM SHOES HOLDINGS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named companies will be held at The Grand Hotel, Granby Street, Leicester on 22 April 1992 at 10:30 am for the purposes of having laid before it the report prepared by the Administrative Receivers in accordance with the said section and, if thought fit, appoint a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless the other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the above meeting must lodge a written statement of their claim with me at Cork Gully, Abacus House, 32 Friar Lane, Leicester, LE1 5RA no later than noon on 21 April 1992. Forms of proxy, if intended to be used, must be lodged with me by that time.

DATED this 7th day of April 1992
L ROBERT BAILEY
Joint Administrative Receiver

Notice of Appointment of Administrative Receivers
TIGER LIMITED

Registered number: 1560488, Nature of business: Retail distributors of furniture, Trade classification: 20, Date of appointment of administrative receivers: 2 April 1992, Name of person appointing the administrative receivers: Barclays Bank Plc.
N J Vooght and J M Iredale, Joint Administrative Receivers, (Office holder nos 6399 and 2041), Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ

Notice of Appointment of Joint Administrative Receivers

We, J M Iredale and N J Vooght of Cork Gully, Harman House, 1 George Street, Uxbridge, UB8 1QQ were appointed Administrative Receivers of
GEORGE ROSE & SONS (WHOLESALE) LIMITED.
Registered number: 1047908
by National Westminster Bank PLC on 27 March 1992

Notice of First Meeting of Creditors
Company No: 2434390
Registered in England and Wales
CONTECH ARCHITECTURAL STONE LIMITED

Principal place of business: Oaks Lane, Hoyle Mill, Barnsley

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at The Ardsley Moathouse Doncaster Road, Ardsley, Barnsley, South Yorkshire, S71 5EH on 28 April 1992 at 10.30 am for the purposes mentioned in Sections 99 to 101 of the said Act, viz:

(a) to have laid before it a statement as to the affairs of the company;
(b) to nominate one or more insolvency practitioners as liquidator or liquidators; and (c) if thought fit, to appoint a liquidation committee.
(d) and to pass any other resolution necessary.

A list of the names and addresses of the company's creditors may be inspected free of charge at 43 Temple Row, Birmingham, B2 5JT between 10.00 am and 5.00 pm on 24 April 1992 and 27 April 1992.

Creditors wishing to vote at the meeting must (unless they are individual creditors attending in person) lodge their proxies at 43 Temple Row, Birmingham, B2 5JT no later than 12 noon on 27 April 1992. Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Unless there are exceptional circumstances, creditors will not be entitled to vote unless their proofs have been lodged and admitted for voting purposes. While proofs may be lodged at any time before voting commences, creditors intending to vote at the meeting are requested to send them with their proxies. Unless they surrender their security, secured creditors must give particulars of their security and its value if they wish to vote at the meeting.

DATED - 2 April 1992
BY ORDER OF THE BOARD
Director/Secretary

NOTES 1. Creditors are requested to supply details of their claims with their proxies in order to assist with the preparation of the directors' statement of affairs.
2. A proof of debt is a document stating the amount of the creditor's claim and may (subject to Rule 4.76) be in any form.

Notice of Administrative Receiver
RESISTA CARPETS LIMITED
REG. NO 872197
RESISTA FLOORING LIMITED
REG. NO 1119642
CRABTREE CARPETS LIMITED
REG. NO 1572885
THE CARPET LIBRARY LIMITED
REG. NO 1574320

Nature of business: Carpet Dealers and Flooring Contractors, Trade classification: 22. Date of appointment of administrative receiver(s): National Westminster Bank Plc. Antony Britain Thompson and Stephen Strickland James Joint administrative Receivers (office holder no(s) 6413 2125) Address(es) Aquis Court, 31 Fishpool Street, St. Albans. AL3 4RF

## ART GALLERIES

MARLBOROUGH 6 ALBEMARLE Street, London W1: ANDRZEJ JACKOWSKI Paintings 1982 to 1992. 20 March - 25 April 1992. Mon-Fri 10-5.30 Sat 10-12.30. Tel: 071 629 5161.

## PERSONAL

GERALD KEVIN MORRISSEY please contact Sister Limerick 394308.



## COMPANY NOTICES

BRADFORD & BINGLEY
BUILDING SOCIETY

£150,000,000
Floating Rate Notes Due 1997

In accordance with the terms and conditions of the Notes, the interest rate for the period 10th April, 1992 to 10th July, 1992 has been fixed at 10.458% per annum. The interest payable on 10th July, 1992 against Coupon 7 will be £259.95 per £10,000 nominal.

Agent Bank
ROYAL BANK OF CANADA

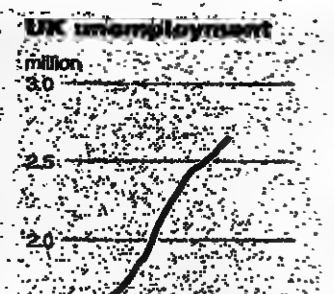
# THE WEEK AHEAD

## ECONOMICS

# Focus on UK jobless total

ATTENTION in the UK will focus on whether recent faint signs of economic recovery will be reflected in the latest unemployment figures, to be published on Thursday.

In the US, analysts will study a raft of economic data for clues as to the hesitant revival, while the markets wait anxiously to see how far the latest figures for industrial production in Japan indicate the economy is slowing down.




Economists think the UK will announce a March rise in joblessness of about 40,000, similar to February's figure. The government is also expected to announce a high public sector borrowing requirement in March of about £6.2bn, bringing the PSBR for the 1991-92 financial year to nearly £14bn.

Unemployment below 40,000 might indicate stronger signs of an economic recovery than have been apparent over the past few weeks. Some economists believe the continuation of Conservative economic policies after last week's election result will reduce consumer and industrial uncertainties and lead to a surge in spending in the next few months, a development which could lead to more favourable growth prospects.

Highlights of the week ahead, with projections in brackets provided by financial information company MMS International, are as follows:

Today: Switzerland, monthly meeting of central bank governors at Bank of International Settlements. Japan, February trade surplus ($10.8bn). New Zealand, March food price index.

Tomorrow: US, March retail sales (down 0.4 per cent), car sales in week April 1-10. UK, March producer prices index (raw materials index up 0.4 per cent on month, 4.9 per cent year-on-year; factory-gate prices up 0.5 per cent on month, 4.2 per cent year-on-year), February manufacturing output (down 0.1 per cent on month, down 2.7 per cent year-on-year), February industrial production (down 0.2 per cent on month). France, March consumer prices index (up 0.2 per cent on month, 3.1 per cent on year). Japan, February machinery orders. New Zealand, 4th quarter gross domestic product. Canada, February inventories to shipments ratio (1.55), February unfilled orders (down 0.4 per cent on month).

Wednesday: US, March industrial production (up 0.3 per cent), capacity utilisation (78.2 per cent), February business inventories (down 0.1 per cent). Sweden, March trade surplus (SKr5.2bn); Japan, February industrial production.

Thursday: Germany, Bundesbank council meeting (no change in interest rates expected). US, February merchandise exports ($36bn), imports ($41.5bn), trade deficit ($5.5bn), money supply figures for March and week ending April 6, initial claims for week ending April 4. UK, Confederation of British Industry distributive trades survey for March, March public sector borrowing requirement (£6.2bn), March unemployment (up 40,000), average earnings in year to February (up 7 per cent), February unit labour costs (4.5 per cent year-on-year). Canada, March consumer prices index (up 0.3 per cent on month, 1.5 per cent on year).

Friday: US, March housing starts (1.25m), building permits. Markets closed in many countries.

During the week: Germany, March producer prices index (0.3 per cent up on month, 2.5 per cent on year); Denmark, March consumer prices index (0.2 per cent up on month, 2.4 per cent on year); Norway, March trade balance; Japan, March money supply data; Spain, March consumer prices index; Italy, February industrial production.

**Peter Marsh**

## RESULTS DUE

THE outlook for UK construction stocks should *become clearer this week* with several major companies announcing final results for last year.

Recession in the housing and construction sectors are expected to take a heavy toll, with provisions for property write-downs, losses and cut dividends expected. But the market will also be looking for signs of optimism, and will take its first early pointers on the outlook for UK residential property especially.

**John Mowlem**, the construction group which also owns 90 per cent of London City Airport, is expected to announce today pre-tax profits of £10m, down by more than two-thirds. The company's scaffolding subsidiary had a poor first half and a dividend cut is expected.

**Taylor Woodrow**, which has suffered badly from both the property and construction recessions, is *expected to do tomorrow* no better than break even (against £83.4m pre-tax profits a year earlier). Heavy provisions, and possible *write downs on its property* portfolio, are expected, although the dividend is probably safe.

**RMC**, the world's biggest cement maker which reports on the same day, is unlikely to surprise tomorrow with pre-tax profits down one quarter to £160m. Strong performance in Germany is likely to buffer the company from a weak UK.

**Tarmac**, the UK's largest housebuilder, looks likely to cut its dividend when it reports a plunge in profits on Wednesday to around £35m (£190.7m). The company is expected to make a £12m provision on the Channel Tunnel, and a possible land write down.

**Blue Circle Industries**, the building materials group, announcing the same day, is expected to be in much better shape and to limit profits fall to £126m (£195m). The dividend should be maintained. Although the UK's performance will be poor, there are hopes for signs of an upturn in the US.

**Smiths Industries**, the aerospace and medical equipment maker, is *expected to turn in on* Wednesday interim pre-tax profits of around £45m (£50.7m) and an unchanged interim dividend of 3.9p.

Investors will be keen to hear whether Smiths is closer to sewing up a partnership agreement with Collins Avionics, a division of Rockwell International of the US. Such a pairing would create a third force capable of offering a full range of commercial aircraft avionics. The other two are Honeywell of the US and Sextant of France.

The UK's struggling hotels will take the limelight on Wednesday when both Forte and the **Savoy Group** report full-year results. Forte is expected to announce pre-tax profits sharply down from 1990's £190m, with estimates ranging from £73m to £78m. The Savoy could drop from last year's £10.3m to £2m. This year should be much better, particularly with the prospect of an upturn in business travel after the decisive UK election.

## UK COMPANIES

**■ TODAY**

COMPANY MEETINGS:
**Grosvenor Development Capital**, The Brewery, Chiswell Street, E.C., 12.00
**Record Hldgs.**, Parkway Works, Kettlebridge Road, Sheffield, 11.45
*USDC Inv. Tst.*, 8 Devonshire Square, E.C., 2.30

BOARD MEETINGS:
Finals:
**Dixie Heel**
**Frost**
**Hemingway Properties**
**Lilley**
**Morgan Crucible**
**Mowlem (John)**
**Roskel**
**Vivat**

**■ TOMORROW**

COMPANY MEETINGS:
**Commercial Union**, The Baltic Exchange, St. Mary Axe, E.C., 12.00
**Crest Nicholson**, Runnymede Hotel, Windsor Road, Egham, Surrey, 12.00
**Kleinwort Overseas Inv. Tst.**, 20 Fenchurch Street, E.C., 12.30
**Provident Financial**, The Norfolk Gardens Hotel, Hall Ings, Bradford, 12.00
**St. Modwen Properties**, Ironmongers' Hall, Barbican, E.C., 12.00

BOARD MEETINGS:
Finals:
**Alexandra Workwear**
**Beckenham**
**Boot (Henry)**
**Erith**
**FR**
**Herring Baker Harris**
**Jove Inv. Tst.**
**Metsec**
**RMC**
**Taylow Woodrow**
Interims:
**Sage**
**Scottish Metropolitan**
**Shani**

**■ WEDNESDAY APRIL 15**

COMPANY MEETINGS:
**British Vita**, British Vita Training and Dev. Centre, Middleton, Manchester, 2.30
**Consolidated Venture Tst.**, 11 Devonshire Square, 9.30
**Leslie Wise**, Berners Park Plaza, Berners Street, W., 11.00
**McAlpine (Alfred)**, Chester Intl. Hotel, Trinity Street, Chester, 12.15
**Throgmorton USM Tst.**, 155 Bishopsgate, E.C., 12.30

BOARD MEETINGS:
Finals:
**Barlows**
**Black (Alec)**
**Blue Circle**
**Forte**
**Golden Vale**
**Helical Bar**
**Higgs & Hill**
**Russell (Alexander)**
**Savoy Hotel**
**Tarmac**
**The Rock**
Interims:
**Smiths Inds.**

**■ THURSDAY APRIL 16**

COMPANY MEETINGS:
**Anglo & Overseas Tst.**, 23 Great Winchester Street, E.C., 12.00
**BP**, Barbican Concert Hall, E.C., 11.00
**BWD Securities**, Cedar Court Hotel, Derby Dale Road, Calder Grove, Wakefield, 11.30
**Baillie Gifford Shin Nippon**, 1 Rutland Court, Edinburgh, 12.30
**EFT**, 7 John Street, Glasgow, 11.00
**English & Scottish Investors**, 16-18 Monument Street, E.C., 11.00
**Lovell (Y. J.)**, Stationers' Hall, Ave Maria Lane, E.C., 12.00
**North Sea Assets**, 12 Suffolk Street, S.W., 11.00
**RPS**, Smith New Court House, 20 Farringdon Street, E.C., 11.00

BOARD MEETINGS:
Finals:
**Barris Anderson**
**East Rand Gold & Uranium**
**Fitch RS**
**Free State Cons. Gold**
**Friendly Hotels**
**Hunting**
**Ibstock Johnsen**
**London & Edinburgh Tst.**
**Martin (Albert)**
**Orange Free State Inv.**
**Premier Cons. Oilfields**
**Quicks**
**River & Mercantile Geared Cap. & Inc. Tst.**
**Welkom Gold**

*Company meetings are annual general meetings unless otherwise stated.*

## DIVIDEND & INTEREST PAYMENTS

■ TODAY
Alumasc 3.58p
Central American Bank for Economic Intgn. Fltg. Rate Ser. Nts. 1994 $71.94
Cont'l Assets Tst. 1.25p
Hongkong Hldgs. Prim. Cap. Und. Fltg. Rate Nts. (3rd Sers.) $32.14
Johannesburg Cons. R0.42
[illegible]
Shoprite 3.2p
■ WEDNESDAY APRIL 15
American Brands $0.35
Armitage Brothers 2.8p
Bank Leumi (UK) 11.5p

BCE $0.86
Bradford & Bingley Bldg. Soc. [illegible]
Chrysler Corp. $0.15
Cleveland Place Hldgs. 6% Red. Deb. 1989/94 £3
Eldridge, Pope & Co. 6¼% Irrd. Uns. Ln. [illegible]
Do. 7½% Irrd. Uns. Ln. £3.75
[illegible]
Nissho Iwai Corp. 8.4% Bds. 1997 Y161778
Occidental Petroleum Corp. $0.25
Pacific Gas & Electric $0.44
Quaker Oats $0.43

Ranger Oil $0.05
Rexmore 13% Cov. Prf. 1991/92 6.6p
Richards 4% (2.8% net) Pfd. 1.4p
Do. 5½% (3.85% net) Pfd. 1.4437p
Royal Tst. Government Securities Fd. Inc. Ptg. Prf. 1.3p
Sindall (Wm.) 5½% Cnv. Red. [illegible]
[illegible]
E. I. D. Parry (India) Rs1
Enterprise Computer Hldgs. 1p
Middle Witwatersrand (Western Areas) R0.02
Natl. Westminster Bank 9% Prf.

Sers. A 5.2132pc.
[illegible]
St. Modwen Properties 0.85p
SKOPBANK-Finnish Savings [illegible]
Sun. Var. Rate Nts. $128.39
Soundtracs 1.35p
Throgmorton Dual Tst. 1.75p
■ SUNDAY APRIL 19
BP Developments Australia 11¼% Gtd. Bonds. 2001 5.625pc.
[illegible]

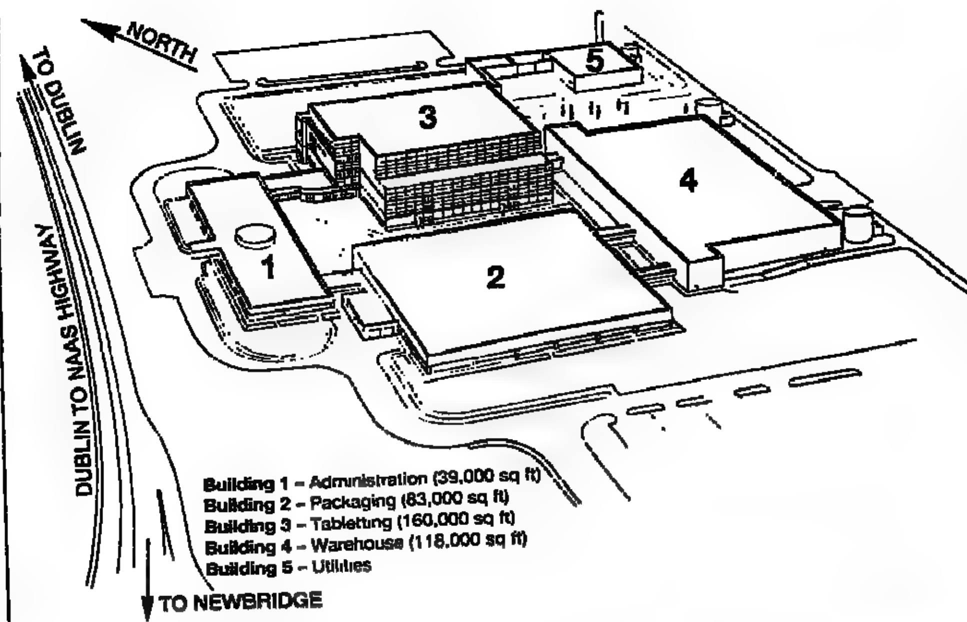
## CLASSIFIED BUSINESS TRAVEL



# CONFERENCES & EXHIBITIONS

# CONSTRUCTION CONTRACTS

## £37m Irish packaging plant




A plan of the tabletting and packaging plant to be built in County Kildare

COURTAULDS ENGINEERING has won a contract to project manage the construction of what is believed to be one of the largest civil engineering contracts of its kind in Eire.

The tabletting and packaging plant to be built for Wyeth Medica Ireland at Newbridge, Co. Kildare represents an investment of over £37m.

Work on the 300,000 sq ft plant has already commenced and the total project will be completed within 13 months.

## £60m orders awarded to CHB Group

Construction companies in the CHB GROUP have secured contracts valued at over £60m during March. They include a three-storey office block and warehouse in Warwickshire for Aldi Stores (£14m); Clacketts Lane M25 services for Roadchef (£13m); social housing in Sunderland for the Tyne and Wear Development Corporation (£10m); residential improvement works in North Peckham for the London Borough of Southwark (£7m) and a sorting office in Exeter for the Post Office (£4m).

### Maternity project

A maternity unit for Queens Park Hospital in Blackburn - handling up to 4,000 births a year - is to be built by TARMAC CROWN ROUSE JOINT VENTURE.

The £9m contract has been awarded to Tarmac Crown Rouse Joint Venture by the North Western Regional Health Authority and includes £3m of mechanical and electrical services.

Work on the complex at Queens Park Hospital, Blackburn, starts in mid-March and is due for completion in 1994.

The development will comprise of two three-storey blocks accommodating the maternity and gynaecology departments and a two-storey administrative block which will also house medical records.

### Housing schemes

Social housing projects worth almost £20m have been won by IDEAL HOMES.

The contracts, which come from several housing associations in England and Wales, include a £1.27m scheme to provide 24 shared ownership flats for the Wealden Leagate Housing Association on the Bricklayer's Arms site in Southwark.

## Production facility in Cambridgeshire

MOWLEM ENGINEERING, of Bromborough, Merseyside, has won a £5.5m contract from Ciba-Geigy Polymers for the design, supply, construction and commissioning of a new formulating plant at Duxford, in Cambridgeshire.

The plant will form a strategic part of the polymers facility there and will be used in the manufacture of Araldite adhesives.

The project will be led by Mowlem Engineering who will undertake the overall project management, including the co-ordination of all design and on-site construction teams, and all process, mechanical and electrical design and construction.

Civil engineering and building works will be undertaken by Rattee & Kett of Cambridge, another Mowlem company.

Work has just started for completion in May 1993.

## £21m batch of orders won by Wiltshier

The WILTSHIER GROUP has recently received contracts worth over £21m. The largest single project is a £5.27m alterations and extensions contract for The Old Rectory, Church Street, Chelsea for Toyoko Metropolitan.

At Heathrow Airport the company has won a £4.2m administrative reception project for Avis Rent-A-Car, including car wash and valeting facilities.

At Kingston upon Thames, Wiltshier has begun a £4.45m contract to build a multi-storey car park at The Bittoms, for Surrey County Council.

In Brighton a Wiltshier contract to provide fire precaution works and overcladding worth £2.9m at the Royal Sussex Hospital is already underway, as is a £2.2m project at the Fire Services College at Moreton-in-Marsh for the PSA.

## Accommodation for Reading students

Extra housing for Reading University students will be available next year following the award of a £6.2m contract to LAING WESSEX.

Following the tendering process, Reading University has selected the company to build 348 study bedrooms at the Sherfield halls of residence in Northcourt Avenue.

They will house students who would otherwise be renting accommodation in nearby areas of Reading.

Work will involve constructing a three-storey block and two part three and part two-storey buildings.

The contract also provides for a community building, four staff houses, roads and landscaping.

Designed by architects Broadway Malyan, the project is due for completion in June 1993.

# PEOPLE

## Plum job at O&M

The top of the advertising tree is still largely dominated by men, but the Texan-born Charlotte Beers, 56, has bucked that trend by taking one of the industry's plum jobs as chairman of Ogilvy & Mather Worldwide, part of the WPP marketing services group.

Beers – a graduate in maths and physics – has one of the most impressive track records in US advertising. In 1987 she became the first – and as yet only – woman to chair the American Association of Advertising Agencies.

Before joining O&M she spent ten years as chief executive of Chicago-based Tatham, part of the Paris-based Euro RSCG group, the world's sixth largest advertising group. In her stint there Tatham quadrupled its billings.

Beers takes over from Graham Phillips, 53, who after 27 years with O&M is to take a rather more back seat as vice chairman. Martin Sorrell, WPP's chief executive, stresses the smoothness of the transition – Phillips himself sought out Beers to head up the agency, which has billings of some $5.4bn annually.

Beers says she is "elated to be working rather than be the subject of so much press speculation" as to which agency she would be joining. She picked out O&M because "I've always had an image of O&M as the best brand of agency. Another attractive aspect is that there has been such a natural transition, with Graham still being there in support."

- Nicholas Morrell, appointed md of The Observer in 1988 and an associate director of Lonrho in 1990, has been appointed to the main board.
- Derek Jewson, formerly with Hertz Australia and British Airways, has been appointed commercial director of LAUDA AIR.
- David Burton, formerly group director, north, of Network South East, is promoted to director, express parcels of BRITISH RAIL PARCELS.
- Bob Wiper, currently group md of Pickfords Europe, is appointed md of NATIONAL TYRES AND AUTOCARE; he will be returning to his native north east.
- Nicholas Newland, formerly finance director of Kennedy Brookes, has been appointed finance director and company secretary of GOODHEAD GROUP.
- Chris Radford, currently marketing director – Europe for Pepsi Cola, has been appointed chief executive of SPORTLINE, a subsidiary of Porter Chadburn, which distributes Head equipment.
- John Fairs is promoted to md and divisional chief executive of SIEBE's CompAir Holman; this entails a move from Cornwall to the Midlands.
- Peter Collins, who was co-opted on to Astra's board in the wake of the PRB affair, has now joined the Bridgwater-based SHELDON JONES.
- Michael Bennett has been appointed group financial controller and company secretary of OSSORY ESTATES; he moves from KPMG Peat Marwick.

## Investing in Hardy

Bankers Trust Investment Management, the investment arm of the US bank, has chosen David Hardy, former chairman of the London Docklands Development Corporation, as non-executive chairman of its London operation.

Hardy, who stands some six feet eight inches tall, is an old City hand who has seen the game from a number of perspectives. Finance director of Tate & Lyle in the mid 1970s, he is more recently remembered for the bruising, ultimately unsuccessful, fight he put up on behalf of Globe Investment Trust against the British Coal Pension Funds. He was chairman of Globe when BCPF swallowed what was then Britain's largest investment trust in 1990. He is currently also on the board of a number of other companies, including Hanson.

While the role of LDCC has been at best controversial, he claims to have "created jobs at a very competitive cost. I'm still convinced Docklands is the place of the future," adds the 61-year-old Hardy – admitting to being "shattered" by the turmoil into which Canadian developer Olympia & York is now plunged.

While Bankers Trust manages £75bn of funds worldwide, London accounts for a small proportion of that whole, with BTIM Ltd specialising in active management of European equities as well as structured quantitative techniques. BT claims to be among the top five index managers in the UK, but Hardy, with his extensive contacts, has been taken aboard to raise the profile of the European business further. His contribution will be in "developing the European corporate and marketing strategy".

Previously, BTIM Ltd was chaired by Kent Atkins, the New York-based boss of the worldwide investment management group.

## Non-executive directors

- Claus Budelmann, a partner of Berenberg Bank in Hamburg, at MARTIN CURRIE EUROPE INVESTMENT TRUST.
- Terry Arthur at WHITTINGDALE HOLDINGS.
- Keith Falconer at NORTH BRITISH CANADIAN INVESTMENT.
- Nigel Wray has resigned from TAKARE.
- Richard Giordano will resign from NATIONAL POWER in October.
- Peter Hardy, a director of SG Warburg, at LAND SECURITIES.
- Air Chief Marshal Sir Douglas Lowe and Sir Philip Shelbourne are to retire from ROLLS-ROYCE in May.
- David Yeomans, previously with Wincanton, as chairman of TLS RANGE.
- David O'Brien, chief executive of the National & Provincial Building Society, at SHERWOOD COMPUTER SERVICES.

ARCHITECTURE

# Civic pride triumphant

Chicago is a great architectural city. It is a proud place with a *palpable sense of* built civic pride. It is a wonderful sensation to fly in over the flat plains and see the pattern of giant fields turn into the grid of the city. It is a loose grid that gradually gets tighter and tighter until it reaches the densely interwoven streets of The Loop and *then* relaxes again as the city spills quietly along the green shores of Lake Michigan. Buildings bristle from the grid growing taller and taller until they culminate in the confident cluster of the Sears Tower – still the tallest building the world.

The *city's* architecture divides neatly into two schools. First, from the 1880's the early steel frame architecture of firms like William Le baron Jenney, Burnham and Root and Holabird and Roche dominated the commercial growth of the city. That great American architect Louis Sullivan also worked in Chicago with Dankmar Adler at that time, inventing a style that was both functional and *ornamental* and that has seldom been improved upon.

The second Chicago school, flowering from the late 1930's, demonstrated that the cool rationalism of architects like Mies van der Rohe could elevate the functional glass and steel block into crystalline elegance. In between these schools lies the distinctive and unique work of Frank Lloyd Wright, who invented the strongly horizontal "prairie houses" for the Chicago suburbs. These are renowned for *their casual but organised* open plans and a special sense of the tactile and visual qualities of good, natural materials.

Recently a new major civic building opened in Chicago which could mark the beginning of a third wave of architectural development. The city decided that it wanted a great new public library to be named after the city's first black mayor – The Harold Washington Library Centre. The architectural competition was won by Thomas Beeby, of the Chicago firm of Hammond, Beeby and Babka. Their solution was completely unlike any of the other entries because it is a powerful Beaux Arts-inspired, American classical scheme, dense in ornament and nourished by all the richness of Chicago's architectural tradition.

The library occupies an entire city block between State and Congress streets. Occupies is the right word because the building completely fills the site in a traditional way – rising from the pavements with no hint of plaza or forecourt to break up the powerful grid of streets. It is 10 stories high, rising from a granite base with great arched windows beneath a pediment which is below a curved vaulted roof. The scale is *remarkable and from a distance* the soaring arched windows seem to suggest that New York's Grand Central station has come to Chicago.

No one can doubt the powerful effect of civic grandeur that this new building conveys. The exterior is temple-like: at the same time as it evokes classical memories it seems to be reminiscent of so many European nineteenth century temples of the *arts, from* the Paris Opera to the Berlin museum. It is a coherently beautiful building gaining much of its presence from the fact that it is in the four square Chicago tradition – a great warehouse of books but one garbed in the civic dress that celebrates the fact that learning and knowledge are civilised and worthwhile aspirations.

The civic dress is both strong *and decorative. The colour* of the exterior is a very pleasing combination of pinkish stone and brick with a green metal and glass attic and copper roof. It looks particularly rich and natural in a city that has too many blank towers faced in brown reflective glass.

Additional richness is provided by the iconographic decorative programme devised by the architect. Cast stone and carved ornament incorporates symbols of the city's agrarian past, and books and owls to suggest learning. But the ornamental scheme is more fundamental than just applied decoration.

The whole building is conceived as a giant Greek temple – but the *columns* are replaced by vertical pilasters that appear to be suspended from giant festoons that swing beneath a tough horizontal railing that replaces any orthodox entablature. At each corner of the library roof there will be giant acroterion – each one a flowering of leaves above downward glancing owls. The glazing of the pediment is an almost Schinkel-like line of spears and shields.

The two artists most concerned with the ornamental *programme are* Raymond Kaskey and Kent Bloomer. I suppose that even Chicago is not yet ready for full scale figurative sculpture that would truly complement the scale of the architecture. But what we see today is a brilliant start - how many other buildngs in the world have owls, guilloche, voussoirs, Ceres, corn stalks, Putto blowing air (for the Windy City), festoons, palmettes, finials and shields ?

The interior is full of workable and handsome spaces. The furniture is solid, plain and beautifully made. There is no great interior space until you reach the rooftop winter garden – reminiscent of Chicago's Rookery building. This should surely be a great reading room. But I felt that it needed a more solemn architectural treatment to be one hundred per cent convincing as a major public space.

Movement through the library is by escalators and although some have criticised the "department store" feeling these evoke they seem to me to be welcoming and efficient. Marble and terrazzo finishes add a sense of style to the interior. There are many small and intimate places where you feel that you want to settle down with a good book.

**Chicago's new Harold Washington Library Centre: a brave achievement that is not nostalgic but soundly based on permanent and durable civic and architectural values.**

The triumph of the Chicago Public Library built (by the design and build method with a developer) for a relatively modest US $195m. inevitably encourages comparison with the British Library now under construction in London. The British Library has no apparent civic or urban qualities and seems destined to be one of the biggest architectural disappointments of the century. There is a bravery about Chicago's achievement that is not nostalgic but soundly based on permanent and durable civic and architectural values. Will it mark the return of a comprehensible public architecture - and a renaissance of ornament and decoration ?

**Colin Amery**

Metropolitan, New York

# Billy Budd

## By Andrew Porter

*Peter Grimes* and *Billy Budd* represent modern opera at the Met . *Grimes*, first staged in 1948, *was restaged* in 1967 *in a* near-replica of Covent Garden's 1947 production (producer Guthrie, designer Tanya Moiseiwitsch). Still in use, it stirs memories for older British visitors. *Budd* arrived in 1978, in a strong, striking production by John Dexter.

*The stage* lifts *were put to* full use; sometimes four or five thronged decks of the *Indomitable* were on view. Peter Pears sang Vere, Richard Stilwell was Billy, and James Morris was Claggart. This *Budd* has also been revived often- most recently this month when Thomas Hampson *sang his* first Billy, Graham Clark his first Vere, and Charles Mackerras conducted.

While *Budd* was in gestation, E.M.Forster wrote to Britten, "I want grand opera mounted clearly and grandly." The Met *Grimes* and *Budd*, played to conservative audiences, are closer to traditional grand opera than what we see now in Britain. After Tim Albery's *sharp-eyed, sharp-edged* ENO productions, they seem curiously old-fashioned, romantic. Period pieces. In an age when, in various fields, people are trying to recapture performance styles of the past, this has its interest.

Dexter's *Budd* was sharp when it was new. It's now a softened house revival put on after the book – fuzzy at the edges, sloppy in nautical detail that was originally *formalized* and precise but now clumsy would- be-realistic. Morris's Claggart was in keener focus, *alert and energetic, particular,* 14 years ago: it has become heavier, more portly, less arresting in both physical and vocal manner.

Hampson is New York's star of the season, appearing everywhere. He opened the Philharmonic series. He opened a new *concert hall in Queens. At the* Met he has been singing Mozart's Count and Rossini's Figaro. His *Largo al factotum* – newly fresh,wonderful – was the highpoint of the city's Rossini Birthday Gala. His Billy, however, was not altogether convincing. Onstage *he often seems a bit self-con*scious, gauche; he is tall (6'5 or so), affects a Ramey-type mane, tends to hunch his shoulders and throw his arms about. But he has one of the most beautiful baritones around and – provided one could accept a simple seaman's scrupulously covered and moulded tones and the carefully cultivated diction – he was moving. The close of the gun-deck scene, after Dansker's departure, was especially fine.

Claggart and Vere's three officers were men as or nearly *as tall; beside them Clark* seemed a tiny Captain, not reaching their shoulders. His voice was small and unattractive, but he gave an intelligent, intent, very clear performance; a great burst of emotion in the epilogue, as he echoed Billy's paragraph, was something new and stirring. Sir Charles's account of the score was warmly felt, warmly played, and very sure. The sounds were beautiful. I have heard performances more nervously excitingthe tone leaner, the signals more sharply etchedbut none *more* romantic.

Royal Festival Hall

# Chicago Symphony Orchestra

## By David Murray

This mighty engine is being wheeled around Europe for the ninth time, and with all its attachments – for its repertoire for the tour demands maximum forces. Almost anything that Richard Strauss forgot to include in *Ein Heldenleben*, which we heard on Friday, was enlisted for John Corigliano's First Symphony on Saturday. A comparable army was needed for the bleeding chunks from *Götterdämmerung* that followed, instead of the popular Ravel pieces originally advertised; but the prospect of Wagner arrangements after Corigliano's long, anguished howl *was so rebarbative that* I fled.

As conducted by Daniel Barenboim, the performance of *Ein Heldenleben* was technically remarkable. It is rare for so many details of the score, so many middle and lower voices, to stand out with such confident clarity, and yet the orchestral balance was superb. Chicago boasts some of the securest brass in the world – not, perhaps, the warmest (their horns haven't the depth of character of the best German and Austrian teams), but unerringly incisive. The Battle scene was a triumph of organisation.

The engine rolled inexorably forward, but left few interpretative traces behind. Except for a good, nasty E-flat clarinet, even the woodwind Critics seemed to be executing a brilliant exercise without much menace. Contrariwise, the violinist Ruben Gonzalez lavished a uniform warmth and virtuosity on his role as Strauss's Pauline, without the petulance *and skittishness that the composer mis*chievously wrote into it. If Barenboim had had more to say about this score, the orchestra would doubtless have transmitted it perfectly; but in the event what we heard was special only for its towering expertise.

Beethoven's "Leonora no. 3" Overture was done in broad strokes, singularly lacking in tension or excitement, except for a dazzling burst of string-scales. About Mozart's G major piano concerto, K. 453, Barenboim as soloist had almost too much to say: a more self-consciously wrought performance would be hard to imagine. Many episodes were extremely pretty; there were also point-making pauses in unwelcome places, and an Andante that suffered by pretending to be an Adagio, and a Finale so deliberate and unspontaneous that even a late acceleration failed to supply the missing fizz.

Corigliano's "Aids" Symphony (as it will inevitably be known) is a strange construction. *It* is laden with manifestly genuine feeling, by turns angry and desolate, but nearly all the sentiment is "evoked" by film-music devices – notably, and con*stantly, by setting wisps of wistful music* (the Albeniz Tango, a little Tarantella by Corigliano himself) over softly dissonant orchestral washes. So far as musical working-out goes, even in the "twelve-note" Chaconne, there are really no symphonic tensions, just striking colouristic effects.

Much of it is affecting, in the manner of a poignant orchestral "opera". John Sharp delivered his solo 'cello part with beautiful simplicity; that, indeed, was the main musical event of the work. A "symphony", however, it is not.

**Sponsors: Waste Management International and Aon Corporation**

# Little Tramp

The Haymarket Theatre in Basingstoke is about to close for a refurbishment. Wanting to go out on a high note this agreeable venue's resident company, the Horseshoe, is presenting the "world première" of a musical about Charlie Chaplin. *Little Tramp* was written – music, lyrics and co-libretto – David Pomeranz, an American, and has been waiting some time for a public exposure. I'm afraid the whole brave, ambitious, project is an exercise in self-delusion.

Director Adrian Reynolds was bowled over by a tape of the music for the show offered to him by an accountant, Colin Essex, whose company is sponsoring the production. Peter Duncan, still best known as a *Blue Peter* presenter, accepted the starring role. One fears that fantasies of a West End, nay Broadway, transfer are as whimsical as Chaplin's Tramp.

There is one worthwhile moment – when Duncan invents the Little Tramp character for the first time. He looks convincing. But then the performance falls apart.

There is no attempt to re-create any of Chaplin's routines, to try to convey his genius.

Instead there are banal lyrics, featureless songs, and unappealing acting. Every character is a caricature – all policemen brutal, all journalists venal, the rich all snobs, Chaplin's wives (apart from Oona) all gold diggers. The pro*duction is subsumed in senti*mentality as Chaplin's life is tediously surveyed from honest London poverty to belated Hollywood honours and his prickly personality sanitised.

In Alan Ayckbourn's plays misguided musicals are presented as a load of laughs. There is not a smile to be raised from *Little Tramp* which stretches three hours into a fair resemblance of Chaplin's near 90 years.

**Antony Thorncroft**

**Haymarket, Basingstoke Ends April 25th**

Purcell Room

# Ciesinski Sisters

## By Andrew Clements

The sisters Ciesinski have both been heard in London in the opera house – so*prano Kristine far more often* than mezzo Katherine – but their recital on Thursday with the pianist Iain Burnside was their first appearance here together. The programme of duets and solo songs was a nicely thematic one: built around the title of "All in the Family", it allowed them to range from an exploration of filial associations in the German *Lied*, through songs by sisters (Nadia and Lili Boulanger, Maria Malibran and Pauline Viardot) and other halves (Fanny Mendelssohn, Clara Schumann, *Alma Mahler*), *to a* final dose of glutinous American sentimentality from Dominick Argento and Lee Hoiby.

It was a thoughtful compilation, full of intriguing curios. Malibran's songs may be pure corn and Viardot's arrangements of Chopin disarmingly tasteless, but at least one of Clara Schumann's Op. 12 settings, written in 1840, her husband's "year of song", would stand comparison with many of Robert's lesser offerings. Alma Mahler's foray into Bergian expressionism in her version of Dehmel's "Ansturm" was partial confirmation of the theory that she suppressed her own creative gifts in deference *to her husband's fragile ego*, while Lili Boulanger's beguiling distillation of Debussy and Duparc made one eager to hear all of the 1919 cycle *Clarières dans le ciel*.

No one who has seen any of Kristine Ciesinski's roles at the Coliseum or Katherine's fearsome Cassandra in the Scottish Opera *Trojans* could doubt their dramatic gifts. Scaling those down to the intimacy of a Purcell Room recital is another matter. Katherine's fierce intensity in Mahler's "Das irdische Leben" from *Das Knaben Wunderhorn was* thoroughly appropriate, so too was their larger-than-life duetting in Brahms's "Guter Rat". But often the proportions were wrong, the acting too intrusive , and the final effect well over the top. In the straightforward *Lieder* Kristine seemed hesitant and to be struggling to sustain her phrases.

The Ciesinskis communicate a vitality and enjoyment in their singing which is infectious; they put on a fine show, though one that needs plenty of space around it.

*INTERNATIONAL*

# ARTS GUIDE

TODAY'S EVENTS

### ■ AMSTERDAM

**Muziektheater** 20.00 Mstislav Rostropovich conducts world premiere of Alfred Schnittke's new opera, Life with an Idiot, with a cast including Dale Duesing, Teresa Ringholz and Robbin Leggate. Runs till April 30, with next performances on Thurs and Sun afternoon. Tomorrow and Wed: Philippe Genty Dance Company. Fri, Sat, Sun evening: Nederlands Dans Theater (6255 455)
**Concertgebouw** 20.15 Cello recital by David Geringas, accompanied by Tanja Schatz. Tomorrow: Thijs Kramer conducts Bach's St Matthew Passion. Wed: Ton Koopman *conducts* St Matthew Passion. Thurs: Winfried Maczewski conducts St Matthew Passion. Fri: concert performance of Parsifal. Sat: piano recital by Ingrid Haebler (6718 345)

### ■ BERLIN

**MUSIC**
**Schauspielhaus** 20.00 Horia Andreescu conducts the Berlin Symphony Orchestra in Grieg's Piano Concerto (Alan Marks) and Stravinsky's The Rite of Spring. Fri: Michael Schoenwandt conducts the BSO and Radio Chorus in Berlioz's Grande Messe des Morts. Sun and next Mon: Eliahu Inbal conducts Liszt's Faust Symphony (*East Berlin 2090 2156*)
**Deutsche Oper** 19.30 Claus Peter Flor conducts Günter Krämer's production of Die Zauberflöte, with Gösta Winbergh as Tamino, also Wed. Tomorrow and Sat: Beatrice di Tenda. Thurs: La Sylphide. Fri and next Mon: Lohengrin. Sun: Le nozze di Figaro (West Berlin 3410 249)
**Staatsoper unter den Linden** 19.30 Die Entführung aus dem Serail. Tomorrow: Jenufa. Wed: La traviata. Thurs: Falstaff. Fri: Balanchine evening. Sat: Le nozze di Figaro. Sun and next Mon: Barenboim conducts the Berlin Staatskapelle (East Berlin 2004 762)
**Komische Oper** 20.00 Orfeo ed Euridice, with Jochen Kowalski. Thurs: Swan Lake. Fri: Cav and Pag. *Sun: new production of* Johann Strauss' operetta Eine Nacht in Venedig. Sun: Henze's ballet Undine (East Berlin 2292 555)
**THEATRE**
In East Berlin, the Maxim Gorki Theater has Peter Shaffer's Amadeus tomorrow, a new *production* of Edward Albee's 1962 play Who's Afraid of Virginia Woolf on Fri, Chekhov's Three Sisters on Sat and Arthur Miller's Death of a Salesman on Sun (*2082 748*). *In West Berlin*, the Schaubühne has Botho Strauss' Schlusschor on Thurs, Fri, Sat and Sun (890023). The Schiller Theater has plays by Gerhart Hauptmann, Lessing, Goethe and Molière (3195 236).

### ■ COPENHAGEN

**Royal Theatre** 20.00 Il barbiere *di Siviglia. Tomorrow:* Bournonville's A Folk Tale. Wed: ballets by Balanchine and Laura Dean (3314 1002). Thurs in Radiohusets Koncertsal: Yuri Bashmet plays Schnittke's Viola Concerto (3110 1622)

### ■ THE HAGUE

**Dr Anton Philipszaal** 20.15 Philippe Entremont is conductor and piano soloist with the Netherlands Chamber Orchestra in music by Hindemith, Haydn and Brahms, *repeated* tomorrow at Utrecht. Thurs and Fri: Elly Ameling sings Mozart. Sat: *Pardubice Chamber Orchestra* (360 9810). Thurs in Danstheater: premiere of new choreography by Jiri Kylian (360 4930)

### ■ LONDON

**Sadler's Wells** 19.30 Moscow City Ballet in Sleeping Beauty. *Daily till Sat (071-278 8916)*

**Barbican** 19.45 Harry Christophers conducts the Sixteen Choir and Orchestra in Handel's Messiah. Tomorrow: Stuttgart Philharmonic Orchestra. Wed: Christoph Eschenbach conducts ECO. Thurs: St John *Passion. Sat: Cristina Ortiz* is soloist with RPO (071-638 8891)
**Covent Garden** 18.00 Michel Plasson conducts John Cox's production of Guillaume Tell, with Jane Eaglen, Chris Merritt and Gregory Yurisich, also Thurs. Tomorrow: first night of new production of The Fiery Angel (071-240 1066)

***Coliseum*** *19.30 Il barbiere di* Siviglia, also Thurs. Tomorrow and Sat: Don Carlos. Wed: Madama Butterfly (071-836 3161)

### ■ MADRID

The soprano Maria Bayo gives a recital of songs by Juan Hidalgo tonight at the *Capilla* de San Aandres de los Flamencos (578 1092). Wed in Centro Cultural Conde Duque: Les Arts Florissants (559 3790). Sat in Teatro Lirico La Zarzuela: Alberto Zedda conducts first night of new production of Il barbiere di Siviglia (429 8225)

### ■ MILAN

**Teatro alla Scala** 20.00 Semyon Bychkov conducts the Orchestra of La Scala in Haydn's Symphony No 44, Bartok's Miraculous Mandarin Suite and Shostakovich's Fifth Symphony.

Thurs: first of six performances of Natalia Makarova's production of La bayadère (7200 3744)

### ■ MUNICH

**Gasteig** 20.00 Sergiu Celibidache conducts the Munich Philharmonic Orchestra in works by Mendelssohn, Milhaud and Haydn, also tomorrow and Fri (48098 416)

### ■ NEW YORK

**Carnegie Hall** 20.00 Robert Shaw conducts the Orchestra of St Luke's and the Atlanta Symphony Chamber Chorus in Messiah. *Tomorrow, Wed, Thurs: Simon* Rattle and the CBSO (247 7800)
**Metropolitan Opera** 18.30 James Levine conducts Parsifal, with Gary Lakes and Ekkehard Wlaschiha, also Fri. Tomorrow: Elektra with Hildegard Behrens.. Wed and Sat: Billy Budd. Thurs: La fanciulla del West (Domingo). *This is the final week of the Met* opera season. American Ballet Theatre opens a two-month season on April 20 (362 6000)

### ■ PARIS

**Châtelet** 20.30 Daniel Barenboim is conductor and soloist with the *Chicago Symphony Orchestra* in works by Mozart and Ravel. Alternative programme tomorrow (4028 2840)
**Centre Pompidou** 20.30 Ensemble InterContemporain in works by Brian Ferneyhough, Jean Barraque and others, *repeated* on Wed (4260 9427)
● *This week's other events* include an Opera Ballet production of La Sylphide from tomorrow till Sat at the Palais Garnier (4017 3535). Un ballo in maschera (tomorrow and Thurs) and Les Contes d'Hoffmann (Wed and Sat) at the Opéra Bastille (4001 1616), a performance of Bach's St Matthew Passion tomorrow at the Théâtre des Champs-Elysées (4720 3637), a recital by Tatiana Nikolaeva on Wed at the Châtalet Auditorium (4028 2840) and concerts featuring Radu Lupu *as soloist with the Orchestre de* Paris on Wed and Thurs (4563 0796).

### ■ VIENNA

**Staatsoper** 19.00 Un ballo in maschera. Tomorrow and Sun: Aida. Wed: Romeo and Juliet ballet. Thurs and Sat: Parsifal (51444 2960)
**Volksoper** 19.00 Robert Stolz evening, also Wed. Tomorrow: *Kalman's operetta Die* Csardasfürstin. Thurs: Evgeny Onegin. Sat: Die Fledermaus. Sun: Wiener Blut (51444 3318)
● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater available worldwide for holders of credit cards who ring Vienna 5131 513

### ■ ZURICH

**MUSIC**
Mikhail Pletnev gives tonight's piano recital in the Tonhalle (201 1580). Tomorrow in Opernhaus: Fidelio. Wed and Sat: Cranko's Romeo and Juliet. Thurs: Bob *Wilson's production of Lohengrin* (262 0909)
**THEATRE**
This week's repertory at the Schauspielhaus includes Gogol's The Government Inspector (tonight, tomorrow, Wed) and a new production of Lillian Hellman's play The Autumn Garden: first night on Thurs, repeated on Sat (221 2283)

**European Cable and Satellite Business TV**

(all times CET)

**MONDAY TO FRIDAY**

*CNN*
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin *Chapman*

*Super Channel*
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report *with James Bellini*
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

*Sky News*
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

**SATURDAY**

*CNN*
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

*Super Channel*
1930-2000 FT Eastern Europe Report

**SUNDAY**

*CNN*
1030-1100, 1800-1830 World Business This Week

*Super Channel*
1800-1830 FT Business Weekly

*Sky News*
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Monday April 13 1992

# From recession to recovery

THE ELECTORATE has warmed to the Conservative party. The economy is likely to be less helpful. Increased confidence is wonderful; real interest rates at 5 per cent or more are not. As in some rather less important areas, here too Mr Major's government needs to take stock.

It must start with the opportunities and the dangers facing the economy. The opportunity is to attain price stability at last; the danger is that there will be no real recovery. The challenge is to exploit the opportunity and avoid the dangers. Mr Major has the time to do both. But experience during the last term demonstrates that he does not have limitless time.

Most pundits have been as mistaken in their understanding of UK economy policy as were their brethren of its politics. Entry into the ERM was not a repudiation of monetarism; it was its apotheosis: the UK economy is not only subject to the drag of a nominal exchange rate anchored in the D-Mark, but is guided by a target for broad money quite as tight as during the early years of the Thatcher administration. But then it was sterling M3; now it is D-Mark M3.

Any consistently pursued monetary target will work in the end, however disconcertingly. Everyone should now act on the assumption that inflation will fall to levels not seen for a generation. Pay settlements, for example, must be no more than 2-3 per cent, a level consistent with sustained low inflation and enhanced competitiveness. But lower inflation is not the end of the story. The real costs of achieving it in unemployment and reduced investment are already high and will become higher. Worse, even if finally achieved, low inflation would still not guarantee recovery.

When overall inflation might fall as low as 2 per cent, when prices of important assets have been falling and are widely expected to fall further, when both individuals and companies – especially smaller ones – are already highly indebted, and when the world's two largest economies are themselves suffering in the iron grip of falling asset prices and excessive indebtedness, renewed voluntary lending and borrowing can hardly be expected at base rates of interest anywhere near 10.5 per cent. What is more, it should not be expected, since such borrowing is most unlikely to be sound.

It is on the pace of recovery, therefore, not on prospects for inflation, that the government is most likely to be disappointed. The Treasury now forecasts a recovery comparable to that from the recession of a decade ago. Unfortunately, conditions now are far less favourable.

## US comparison

Then the real exchange rate depreciated, real interest rates were lower than now, a preceding burst of inflation had purged the economy of debt and the US economy was the locomotive of world recovery. Now, by contrast, the real exchange rate is stable, real interest rates are tending to rise again and the economy is drowned in debt. What the latter might mean is revealed by the comparison with the US, which is making a feeble recovery, despite official interest rates little more than a third of those in the UK.

Before the government dismisses such fears, it must confront the mistakes of the Treasury, which failed to forecast the boom of 1987-88, just as it failed to foresee the slump of 1990-91. These failures were not an accident. They reflect a misunderstanding of the role of credit and money in a liberalised economy. Nothing would be more foolish than for the government to rely on Treasury forecasts. It needs to ask, instead, what could still block recovery.

The first danger is at home. The real exchange rate may not be grossly overvalued, but nothing in the performance of industries producing traded goods and services suggests it is highly competitive. An dynamic export-led recovery looks highly unlikely. Furthermore, those who borrowed in the hope of capital appreciation are in deepening trouble, as are the intermediaries that made the borrowing possible.

The second danger lies in the world economy: Germany has added recession to the instability already created by economic unification; Japan is suffering an agonised withdrawal from a monetary overdose; the US is making an uneasy recovery from its own rush into debt; and the Uruguay round of multilateral trade negotiations is still not completed.

Trouble lies ahead. Not only might recovery be aborted, but a continuation of slow growth would further undermine the UK's rapidly deteriorating public finances. An economy growing at, say, 1-2 per cent a year cannot long afford growth of public expenditure at 3 per cent a year, at least if the achievement of lower inflation is not to be called into question. Mr Major's new team, with hard-liners like Michael Portillo at the Treasury, Peter Lilley at Social Security and Michael Howard at the Department of the Environment, will have to put its energies into curbing public spending once more.

The government does at least have time. It can wait a while, to ensure that inflation is crushed. But it must start looking for sources of recovery. The necessary condition will be far lower interest rates than now. Within the ERM, that can be achieved either by expectation of currency appreciation against the D-Mark; or by lower D-Mark interest rates. The former is why it is essential to remain within the ERM's wide bands, at least for the moment. The second appears, for now, to be a matter of waiting and hoping.

## D-Mark expectations

There has been talk of sterling re-alignment. But a re-alignment within the ERM, though helpful to producers of traded goods, is also likely to lead to higher interest rates. So long as the D-Mark is expected never to be re-aligned downwards, German interest rates will normally provide the floor. The distance from that floor might well be increased by the perception that one depreciation usually leads to another.

For the present, re-alignment is not a sensible option. But this does not mean that Mr Major is condemned to inactivity. His main problem is German interest rates. But it is not his problem alone. He now has the authority to deliver home truths to Mr Helmut Kohl, preferably in the company of other European leaders.

Mr Major should tell his friend that being a good European involves more than rhetoric. Should the Bundesbank still feel unable to deliver a sharp reduction in interest rates within the next year, then those unneighbourly German fiscal deficits must be eliminated. Though speaking softly, Mr Major should also carry a big stick. He should state that it will be unacceptable for the remaining economies of western Europe to go on importing recession from Germany, once they have finally attained Germany's erstwhile rate of inflation.

At the limit monetary co-operation in Europe might collapse. That would threaten, but need not destroy, the UK's hard-won credibility. Mr Major need only accept that having chosen one independent central bank in the Bundesbank, he could also choose another in the Bank of England.

It is time to take stock. It is time for leadership. The UK stands on the brink of achieving a low inflation economy. But it does not necessarily stand on the brink of a strong recovery. For the moment, the UK economy must wait for something to turn up – or, more precisely, for interest rates to turn down – in Germany. Mr Major can make that point where it matters. He should do so at once.

# Carrot and stick for middle classes

## John Major may want to edge economic policies toward the centre, says Barry Riley


Britain's middle classes can breathe again. Neil Kinnock, with his 59 per cent income taxes, did not get the key to Number 10 Downing Street after all. He will not be given the chance to threaten the incomes, the lifestyle and the house prices of the well-off.

But even John Major, planning his strategy for a five-year term as prime minister, may need to rethink some of the tenets of Thatcherism. He will not wish to leave room for another class-based attack on the Conservatives in 1996 or 1997. True, Britain's recent poor economic performance has not had the anticipated fatal consequences for Mr Major and his government, but he would be foolish to rely on repeated opposition failure.

It was quite a scare for the middle classes, who feared that they would be wide open to high marginal tax rates in the absence of the myriad tax breaks and allowances that used to protect them in the 1970s. Their self-confidence has anyway been slipping under the burden of slumping house prices and the decimation by bankruptcy of the small business sector. These are the people who run the country: they are the managers, the professionals, the higher civil servants and the successful businessmen. Under Margaret Thatcher the Conservatives had swept to power three times – twice with Commons majorities of more than 100 – on the theme that low income taxes, free markets and the encouragement of individual enterprise would transform the British economy. The muddled corporatism of the 1970s had failed.

The new Toryism was much more radical than the one-nation approach of Macmillan and Heath. The heady rhetoric in the early 1980s was that if the middle classes were given the opportunity and the incentives, they would deliver. The whole country would benefit. But amid the longest recession since the 1930s the question must inevitably be asked, have the middle classes reneged on that promise? Comparatively few voters last Thursday apparently thought that Labour's strategies would prove any more effective, but the radical Tory approach has proved disappointing, too. Delicately, John Major may want to edge his economic policies towards the centre ground.

For a brief few years, it is true, the British economy boomed. In the five years between 1985 and 1989 economic growth averaged 3.7 per cent a year. But it was quite unsustainable and we are paying for it now. Although loudly celebrated at the time, the Thatcher "miracle" now appears largely to have been an illusion.

You can make numbers tell most tales if you try, but over the 12 years of Conservative rule up to 1991, economic growth averaged just 1.7 per cent a year. This was marginally better than the 1.4 per cent a year achieved during the previous six years of Labour government. Margaret Thatcher notably failed, however, to restore on any consistent basis the more dynamic growth rates recorded up to 1973.

Indeed, the early 1970s appear to have been the watershed. In the 30 years up to 1973, growth averaged 3.1 per cent, but in the 18 years since then the pace of expansion has been only half as rapid. There can, of course, be many explanations for these secular changes, including the strength of the world economy at large and, at home, changes in population size and structure. In the 1960s the British population was rising at 0.6 per cent a year, in the 1980s at only 0.2 per cent. Other countries, such as Germany, also suffered an economic deceleration in the 1980s. The slowdown may not have been any fault of the politicians. Yet they claim the credit for good times and will inevitably get the blame for the bad.

Nevertheless, to give the middle classes their head can have tremendously positive effects. In the 1980s, for instance, managers were given back the right to manage, and the efficiency of much of British private enterprise greatly improved. A new wave of entrepreneurs sprang up, and changed the face of much of the the corporate sector.

But the middle classes can also be snobbish and money-grabbing. They are drawn towards pleasant service industries rather than to manufacturing industry, and to the south of England rather than the north. Home ownership is a middle class ideal symbolising independence and wealth, but in the context of financial deregulation it can – and did – turn into an excuse for rampant speculation.

High rewards for those who achieve great commercial success, especially if they accept high risks, are eminently justifiable. But there must also be a culture of self-restraint, or uncontrolled greed will take over. We have seen far too much of this as top company executives have entered into a dizzy pay spiral in which each pay rise is self-justifying in relation to the rewards of competitors, in the absence of any independent concept of fair or appropriate reward.

In the late 1970s the top 20 per cent of households received 43 per cent of gross income and 37 per cent of post-tax income. By 1988 these households – essentially, the middle classes – were enjoying a 50 per cent share of gross income, and 44 per cent after tax. During the 1980s the ratio of the pre-tax earnings of the top 10 per cent of employees to those of the bottom 10 per cent rose from 2.6 to 3.1 times, and pay of the chief executive of the average large UK public company climbed from £90,000 to £400,000. These increases in differentials could have been justified by improved growth, but the evidence for any positive impact is hard to find at present, although admittedly the bottom of a recession may not be the best time to look.

Spending, meantime, seemed to grow even faster than incomes. Margaret Thatcher's home-grown economics based upon living within one's means and being self-reliant somehow became perverted into a culture of huge borrowing and over-consumption in which asset price inflation was expected to bail out – and indeed handsomely reward – every debtor. A government which began by sternly fighting inflation and declaring strict monetarist principles presided over a borrowing binge from the mid-1980s onwards. Bank and building society lending was climbing at about £14bn a year when the Tories took over but at the peak in 1989 it was almost £90bn. House price inflation in London had reached 20 per cent by 1987, but middle-class greed was allowed to run unchecked.

By the late 1980s millions of young people seeking a foothold on the housing ladder were being sucked into a dangerous vortex of speculation which now leaves many of them technically bankrupt. The Conservatives might have expected to be more severely punished at the election for this betrayal.

Again, the principle of privatisation, itself a tremendously potent idea for improving the dynamics of the economy, was somehow twisted by middle-class greed. As with housing the profit motive was brought into play, this time with the ostensible motive of turning people into private shareholders. But the profit should be proportional to the risks. Instead, privatisation offers too often became the route to a quick and easy gain for those who had the stake money and knew how to deal in shares.

The neglect of manufacturing industry was another characteristic feature of the years of Tory rule. Britain has produced huge numbers of accountants and lawyers, many of them handsomely paid, and the media, financial services and all sorts of consultancy services are bursting with talents. But the dominant middle-class ethic has been hostile to manufacturing industry, and few of the best products of our education system head in that direction: relative pay levels clearly tell them not to. You can argue that this explains the loss of half of the former economic growth rate. Failure adequately to supply domestic demand for manufactured goods has become painfully obvious in the current recession, when visible trade has remained substantially in the red despite the weakness of domestic consumption overall, which has trimmed import demand.

Manufacturing output has grown by only 0.5 per cent a year over the 12 years since 1979, and hopes for a revival in the 1990s now rest largely upon imported Japanese expertise in sectors such as motors and electronics. These hopes may seem rather more fragile now that the Japanese stock market is in process of collapse and its banking system may follow suit. Some of the Japanese money may go home.

If excessive taxation is unfair and disruptive, as the Tories have succeeded in persuading the British electorate, so is an excessively unequal distribution of rewards. And the natural priorities of the British middle classes do not necessarily harmonise with the requirements of a modern economy. A nation of accountants will soon forget the skills needed to build motor cars. Moreover a nation can only get rich quite slowly, and if large numbers of individuals are getting rich quickly it is a sign of the misdirection of resources.

Margaret Thatcher thought it was enough to dangle a bunch of carrots. In chasing them, the middle classes would naturally head in the right direction. Neil Kinnock wanted to take back the carrots and wield a heavy stick. Now John Major will maintain the incentives, but does he also need to apply the occasional touch of the whip in order to keep his troublesome cart horses in line? Certainly he will want to keep any recovery in the house market well under control, or excessive credit growth will lead to problems for sterling within the European Monetary System. The government will look to improvements in standards of corporate governance to keep a lid on pay awards to top executives. But there are few real signs that the Major regime has yet moved far in the direction of developing an industrial policy that might get the battered and distorted British economy back into a more balanced shape.

In the end the middle classes are paid by results. Their greatly enhanced perks and differentials have scarcely been justified by the economic achievements of the past decade or so. Yet this does not mean that the middle classes cannot produce the goods, just that they need better leadership. Perhaps a re-elected Conservative government without the distractions of an early poll to worry about will be able to supply it.

*PERSONAL VIEW*

# Markets and community

**By David Willetts**

It is not only the pollsters who got the election wrong. Equally mistaken were those commentators who argued there was no sharp difference of principle between the two main parties. They did not grasp the nature of modern Conservatism, nor how it differs even from the air-brushed, deodorised socialism of Neil Kinnock's Labour party.

Both parties did, of course, try to reach out to the floating voters who finally determined the result. Ever since his first speech at the Conservative party conference as chancellor, John Major has repeatedly said that he wants the party to reach out to all. Neil Kinnock wanted the Labour party to escape from its shrinking unionised base to take in the prosperous, including those working in the service industries. Mr Major succeeded, and Mr Kinnock failed. That is because of a fundamental difference in the Conservative and Labour understanding of how a nation is held together.

For Labour, the task of integration is, above all, for the state. Even after all its policy reviews, it remained the party of high spending, high taxes and more regulation, that is, big government.

The first objection to these beliefs is that they undermine the operation of the free market, which had to be fought for in the 1980s. But there is another deeper objection. Big government does not bring the nation together; it divides it. Interest groups are engaged in a struggle for taxpayers' money and special favours – with the state as the battlefield. John Smith's shadow budget was a classic example of the perils of such an approach. He doubtless thought he was being politically ingenious by hitting one-sixth of the working population with the biggest post-war tax increase to finance small electoral bribes for the rest. But, if a highwayman robs your neighbour, you may fear it will be your turn next. Many electors were afraid a future Labour government would raise their taxes too.

Instead, the prime minister has a very different and authentically Tory view of what holds the community together – culture. This is not simply high culture, but, as T S Eliot observed: "It includes all the characteristic activities and interests of a people: Derby Day, Henley Regatta, Cowes, the 12th of August, a cup final, the dog races, the pin table, the dartboard, Wensleydale cheese, boiled cabbage cut into sections, beetroot in vinegar, 19th-century Gothic churches, and the music of Elgar." The prominence given to David Mellor's new ministry, bringing together everything from Manchester's Olympic bid to the Royal Opera House and the BBC, recognises the power of culture in its broadest sense, in sustaining national identity.

The constitution is also part of this shared culture. Only the most absurd reactionary would suggest it is so perfect as never to require further change. But, equally, the Labour and Liberal Democrat parties seemed afflicted with an itch to intervene everywhere. Having lost the intellectual battle on detailed intervention in the economy, their restless spirits wanted to fiddle with the constitution instead. Regional government, devolution, new quangos and commissions, a new bill of rights together would have meant years of constitutional turmoil, with little practical gain. Conservatives fought the election as the only party prepared to speak out for the traditional strengths of the British constitution.

Another striking feature of the election campaign was how the public sector unions from Nupe to the Inland Revenue staff federation devoted their funds to advertising against the Conservatives. They may have thought they were helping Labour, but in practice they aroused suspicions that Labour's much-vaunted commitment to the welfare state was really just to the unions within it. By contrast, the reforms of health and education and the Citizen's Charter all aligned the Conservatives with the vast majority, who are users of the public services and have a shared interest in higher standards and consumer responsiveness.

While one threat to the sense of community comes from interventionism and egalitarianism, another comes from snobs who believe that British culture does not belong to all, but to a narrow élite. The destruction of traditional education in the 1960s and 1970s was only possible because people in power believed that Dickens or Shakespeare or the Tudors and Stuarts or the rules of English grammar were only for the privileged few. The snobs thus played into the hands of the progressives. We can only protect what we value by trying to make it the birthright of everyone. That is perhaps the reason for the fervour with which the prime minister and education secretary have fought for good quality traditional education to be available to all.

The task now for Conservatives is to set this belief in community alongside a commitment to the free market. Together they form the bedrock of Conservatism for the 1990s, as they have done throughout its history.

*The author is the newly-elected MP for Havant. His book Modern Conservatism was published last month by Penguin.*

**Jurek Martin** reports on public anger over the privileges enjoyed by American government officials

# A self-righteous orgy of purging the perks

In 1977, when he first came to Washington as President Jimmy Carter's press secretary, Jody Powell was asked if he intended to have a portable phone installed in his car, a decrepit VW beetle. "Nah," he drawled, "it couldn't stand the extra weight," and everybody laughed.

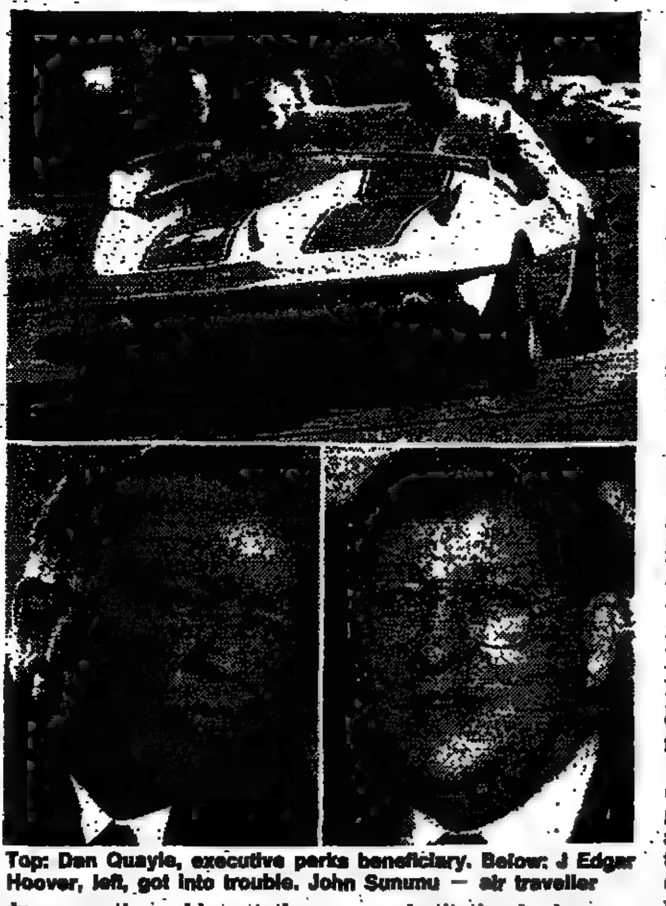
Nobody is laughing now at the weight that is dragging Washington's name through the mud. The debate is over whether "this town" (local cave dwellers never call it anything else) is so stuffed to the gills with the perquisites of office that it has lost all touch with the reality that is the lives of average Americans.

This kind of puritanism is not exactly new. Sherman Adams, President Eisenhower's right hand, had to resign for accepting a free fur coat; the G-man himself, J Edgar Hoover, got into deep trouble for having free window valances installed; and the fall of John Sununu, President Bush's White House chief of staff, was pretty much determined when it became known last year that he used government aircraft as lesser mortals might taxis.

Some administrations have tried to set an honourable example. Mr Carter, for example, stipulated economy-class air travel. But the sight of Paul Volcker, the then chairman of the Federal Reserve, miserably curling his six-and-a-half-foot frame into a back seat, unlit stogie in hand, while on missions to save the dollar did not have the desired effect. Others have not even bothered; the "sleaze factor" was notorious in the Teflon Reagan years, even to the point of the First Lady soliciting contributions for the upkeep of her ballgowns.

But this year the unpopularity of "this town" in the nation knows no bounds. Add to this some vicious election-season partisan politics and there emerges the extraordinary spectacle of a self-righteous orgy of purging the perk. It should be funny, and sometimes is, if it were not taken quite so seriously.

Congress is the most defensive because it has seemed to be the main offender, as anyone listening to a radio phone-in programme realises within three minutes. In the wake of revelations that the House bank never bounced cheques, and of charges that its post office delivered cocaine more efficiently than letters, all the little things that make the congressional life a touch easier are under scrutiny. They include subsidised restaurants, hair cuts and gymnasia, free potted plants and subscription drugs, gratis parking at the Capitol and at local airports, the fixing of any tickets, and wholesale price gifts and knick-knacks.



Top: Dan Quayle, executive perks beneficiary. Below: J Edgar Hoover, left, got into trouble. John Sununu — air traveller

In the aggregate, and excepting the abuse of the House bank, they do not appear to amount to anything that is not commonly provided for executives in the corporate sector, including the media. But abuses have inevitably occurred; last year, for example, it emerged there were $300,000 in unpaid bills owing at the House restaurants, which is a little steep for a canteen.

> **In aggregate, the benefits are about the same as those given corporate executives**

Any increase in the salaries of Congress, which decides its own pay, invariably invites public criticism. At $129,500 a year now, these are not bad by national standards, except that many members have to support homes both in Washington and their own constituencies, which explains why this year an abnormal number are retiring to go out and make real money. The lobbyists and lawyers with whom they routinely mingle in this town are usually paid a lot more.

Tom Foley, speaker of the House, finally decided he had had enough of these assaults on an institution he loves so much. His counter-attack is that people in glass houses (Republicans and the White House, not, of course, the public) should not throw stones. He chose not to stoop so low as to take away the free car from his chief congressional tormentor, Newt Gingrich, the Republican whip (at least not yet, though if Mr Gingrich goes on much more about "institutional corruption" he will be lucky to find a rack for his bicycle). But in ordering an investigation into the perks enjoyed by the executive branch it looks as though he does not intend to spare even the president.

Mr George Bush's perks are not insubstantial, as a recent Washington Post article pointed out. They run to a $7.26m annual operating budget for the White House itself, covering nearly 100 domestic employees — including five florists, spending $200,000 a year on displays, and five calligraphers, presumably deciphering the presidential scrawl. There is also in the official residence a bowling alley, cinema, swimming pool, putting green (Vice-President Dan Quayle recently had a high-tech version with variable breaks installed in his mansion), tennis courts, a basketball court and a horseshoe pit; and a free box at the Kennedy Centre for the performing arts.

There is Camp David and there is, of course, Air Force One (there are actually two of them, specially modified Boeing 747s) and a constant supply of helicopters, which is the most seductive of all. When asked what he would miss most on ceasing to be president, Lyndon Johnson wordlessly waved an arm at the helicopter pad on the White House lawn.

Mr Foley's more tangible target is the staff of the executive branch and indeed it appears that, outside the cabinet, senior officials enjoy a range of privileges pretty similar to those of Congress. Among them is the provision of home-to-office limousine services for nine White House heavyweights. Unfortunately for Mr Foley, it transpired that this privilege had been authorised (surprise, surprise) by Congress itself.

Also under the gun are frequent flyer programmes. Congress last year specifically allowed its members and staff to use mileage accrued on official business for their personal use, on the grounds, possibly now questionable, that this was the norm in the private sector. The executive branch, it appears, has no policy governing frequent flying and, if it had, you can be sure Mr Sununu would have used it to the hilt. Congress, however, has been obliged to put limits on the outside income its members may earn in honoraria; curiously, a federal judge last month ruled that the ban on civil servants supplementing their incomes in this way was unlawful.

This fixation with perks, while the stuff of good 'n' dirty politics, completely misses the point. There is something wrong with the governance of America, but it is not simply because those who govern have grown fat and greedy. The root causes are complex, but must include the unrealistic personal standards asked of public figures and the decline in the controlling influence of the two main parties. The two have led to the absence of leaders of quality and a fragmentation of the body politic.

As Senator Warren Rudman, the New Hampshire Republican, explained when he bowed out last month, the system is not working and real issues are being ducked. If it were, and they were not, no one would be wailing over free potted plants and floral displays.

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Not such a difficult registering process

*From Miss M V Hill.*

Sir, I would not like your readers to retain the impression that Ms Reed's experience of registering with the Securities and Futures Authority was necessarily typical (Management: "Financial stamp of disapproval", April 7).

I am also a one-person business. Recently, after being made redundant, I registered with the SFA as an investment adviser, but also not to handle client money, nor to deal with the general public.

It was clear from the application forms that the fee was non-refundable: this is part of the cost of starting up in business. Lawyers' and accountants' fees were also incurred, but were kept to a minimum by having them review my own work. It was, after all, my future business plan.

It was also clear from the documentation that my accountants would also need to be approved, but they registered in parallel with my application. I did not find the process onerous, but did follow the SFA's advice of submitting all the details at the same time.

In my experience, the SFA provided constructive and timely assistance throughout. I was elected to membership just four months from receiving the first information package.

Miss M V Hill,
*Chalcroft,*
*Devils Lane,*
*Liphook,*
*Hampshire GU30 7DB*

## Top executive pay schemes must be effective and 'transparent'

*From Mr Kevin O'Sullivan.*

Sir, Your leader, "How to pay top executives" (April 8), was timely and important.

The key principle, as you say, must be to align directors' interests with those of shareholders. A simple system is best. A basic salary paid at market rates, supplemented by a bonus arithmetically related to earnings per share (EPS) is effective, easily understood and "transparent" (an important quality). Bonuses of this kind should be generous where performance is good, so that the EPS-related component will sometimes represent a large proportion of a successful manager's earnings.

For smaller companies, a system of employee shareholding reaching down to key people well below board level is an excellent motivator, either in addition to, or instead of, such a scheme. Such a system, by requiring directors and staff to pay for their shares, and thereby to take on the full responsibilities of ownership, is far more conducive to responsible management than an option scheme. A share option scheme is a one-way bet (you can win, but you can't lose, and you stake nothing) which can encourage people merely to "have a punt on the firm" rather than to settle down to build it.

Kevin O'Sullivan,
*O'Sullivan & Graham,*
*Shinfield House,*
*School Green,*
*Shinfield, Reading,*
*Berkshire RG2 9EW*

## Defining directors

*From Mr John Cheele.*

Sir, Re Mr Bob Garratt's letter (April 8), if we are moved to have our corporations directed by boards of professional governors rather than of promoted operational managers, and are still not prepared to adopt "twin boards", then we need clearly to define and separate the often incompatible roles of governing and managing.

Perhaps we could now consider clear role separation by adopting a convention that a significant majority of a board's members cannot also be employees of their company — moving towards the upper, non-executive tier of twin boards, but preserving scope for companies to evolve their own specific board structures.

John Cheele,
*6 Tyndale Avenue,*
*Cooden,*
*Bexhill TN39 4TZ*

## Reasons for veto of Irish Republic companies from FT/SE 100 Index 'unconvincing and discriminatory'

*From Mr Peter D Sutherland.*

Sir, Peter Jones (April 1) seeks to justify the refusal of the FT-SE 100 Steering Committee to consider large Irish companies for inclusion in the FT-SE 100 Index. As Mr Jones has chosen to go public on the matter, I would like to explain why I consider the position of the steering committee to be wholly unconvincing and seriously discriminatory.

The full name of the stock exchange is "The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited". The Dublin exchange is currently a constituent part of the stock exchange. Both the Dublin and London exchanges are likely to maintain the closest operational links within the EC — such as dual listing and equal access to equity settlement and market information systems. Including Irish companies in the FT-SE 100 Index would involve minimal change to its overall balance since at present only three Irish companies have a sufficiently large market capitalisation. In this context, for Mr Jones to compare Irish companies quoted in London with American, Japanese or other non-EC companies is simply disingenuous.

It is suggested that the purpose of the Index is to provide an indicator of performance of UK companies. Yet, a substantial number of FT-SE 100 companies have a considerable proportion of their assets abroad or generate most of their turnover or profit outside the UK. Inclusion of the eligible Irish companies would not alter in any fundamental sense investors' exposure to companies with a primary listing on the stock exchange. Indeed, not only would some of the eligible Irish companies provide an exposure to sectors not currently reflected adequately in the Index, they also interact substantially with the UK economy and provide significant employment. In this context, the steering committee's rule requiring a company to be incorporated and registered for tax in the UK simply does not reflect economic or industrial reality.

The FT-SE 100 Index is widely perceived to be the premier index, representative of those blue chip companies which have their primary listing on the stock exchange. That is the common sense understanding of equity market observers everywhere and the Index is presented and marketed as such in the print and TV media throughout the world. The other indices mentioned by Mr Jones do not have the same economic impact. Are not market participants entitled to expect that eligible Irish companies will be included in the premier representative index of the stock exchange?

Mr Jones is trying to defend the indefensible. The current practice of the steering committee has the effect of limiting the market in shares of Irish companies, to the prejudice of investors, and of imposing on them dissimilar conditions to those applied to companies incorporated in the UK.

The steering committee should think again and act quickly to redress this injustice.

Peter D Sutherland,
*chairman,*
*AIB Group,*
*Bankcentre,*
*Ballsbridge,*
*Dublin 4*

# OBSERVER

## Passing the banking buck

■ Every one knows that Olympia & York's Reichmann brothers, Heron's Gerald Ronson, and Speyhawk's Trevor Osborne are in deep trouble because they borrowed too much money. They stand to lose a lot, if not their jobs. But who can remember the name of a single banker, as opposed to a bank, who lent them so much loot?

Take Barclays Bank, for example. If one adds in its involvement in the highly leveraged 1989 takeover of Imry Merchant Developers then it appears to have made a series of ill-judged property investments (sorry, loans). Over the last five years its UK property lending has risen from £1.2bn to £5.4bn, or two and a half times as fast as its overall balance sheet. While it is impossible to tell whether heads have rolled inside Barclays as a result of what looks like over-zealous lending, one fears not.

Indeed, Sir John Quinton, who has headed Barclays during its property binge, stresses the bank's "relatively cautious" approach to the property sector. Were it not for the fact that accident-prone NatWest is once again more highly rated than Barclays, one would not suspect that the latter had a problem. Perhaps Sir John will use the occasion of this month's annual meeting to sound a *note of contrition*?

## Filling up

■ Meanwhile, it's nice to know that at least some of the 300-plus bankers assembling in Toronto today to hear Olympia & York's debt-restructuring plans will be making a special contribution towards keeping the financially-strapped developer on an even keel.

They are the ones who have elected to stay at the Camberley Club, a posh but little-known hotel in the heart of the city's financial district. The 52-room Camberley occupies the 28th and 29th floors of the 68-storey Scotia Plaza tower. O&Y owns Scotia Plaza and, not surprisingly, books many of its out-of-town guests into the Camberley.

The hotel returns the favour. Its usual room rate is C$210 a night. Corporate clients get a special rate of C$170, but the best deal is offered to tenants of O&Y buildings, who pay just C$120. Bankers expecting to return to Toronto in coming months as the debt-restructuring talks drag on will be pleased to hear that the Camberley is happy to offer its ultra-low Reichmann rate to them as well.

## On the rocks

■ The phrase "sinking fund" has acquired a somewhat shameful ring for Britain with a development in the small Danish town of Ulfborg-Vemb, in west Jutland.

Its inhabitants still tell of the tragedy that befell the Royal Navy on the nearby coast at Thorsminde in a fearful storm on Christmas Eve, 1811. In the raging wind both Nelson's former flagship, the 98-gun St George, and the 74-gun Defence were driven ashore there, and broke up. Some 1,400 souls perished, only 11 of the two ships' crews surviving, of whom one died within 24 hours of being rescued.

Since divers found the St George's wreck in 1969, marine archaeologists from Ringkjobing Museum have supervised further explorations, recovering pieces of British naval history by the thousand. To give them a home, Ulfsborg-Vemb has built a special museum.

Of the £600,000 cost, the township itself has contributed nearly a third, the European Community has coughed up £80,000, and sponsors have provided the rest. And Britain?

Well, the opening ceremony was performed by UK ambassador to Denmark Nigel Williams, and the Royal Navy was represented at it by Commander Robert Kirkwood, defence attaché in Copenhagen. As for money, however, the Brits have apparently not even contributed enough for a ha'porth o' tar.


"How did you really vote in the election?"

## Out-numbered

■ Besides provoking continued axe-grinding about 16th-17th century English poets who understood algebra, Observer's numeracy-style quiz decided a week ago seems to have punctured a mathematical legend. The particular point in question is what is unique about the number 1,729.

Legend — enshrined in no less than the Oxford Dictionary of Quotations — has it that the Indian mathematician Ramanujan instantly identified 1,729 as "the smallest number expressible as a sum of two cubes in two different ways" ($1^3 + 12^3$ on the one hand, and $10^3 + 9^3$ on the other).

In that case, Ramanujan was wrong, says Jonathan Mapley of Royal London Insurance. The far smaller number 91 can be formed as the sum of two cubes in two different ways, although in one instance the cube is negative: $3^3 + 4^3 = 91$, and $6^3 + -5^3 = 91$.

Fortunately for poor old 1,729, two other readers who entered the quiz have come up with something else about it that looks to be truly unique. It is the biggest number with prime factors (including 1) which each differ from the next by the lowest positive perfect number, 6 (1x7x13x19).

## Peace offering

■ Nice to see Britain's chief of the defence staff, Field Marshal Sir Richard Vincent, elected to Nato's top military post. A year ago, he opened a public speech with such an arrestingly offensive introduction that Observer quoted it, commenting that it deserved a prize.

Next morning, war clouds seemed to gather when a clipped accent on the telephone identified itself as belonging to the field marshal's principal aide. But it turned out that all the chief wanted was "to know if he's getting a *real* prize".

Springing to the salute, Observer dispatched a bottle of malt.

## Radical chic

■ Sign on a Hong Kong dress shop:

Ladies may have a fit upstairs.

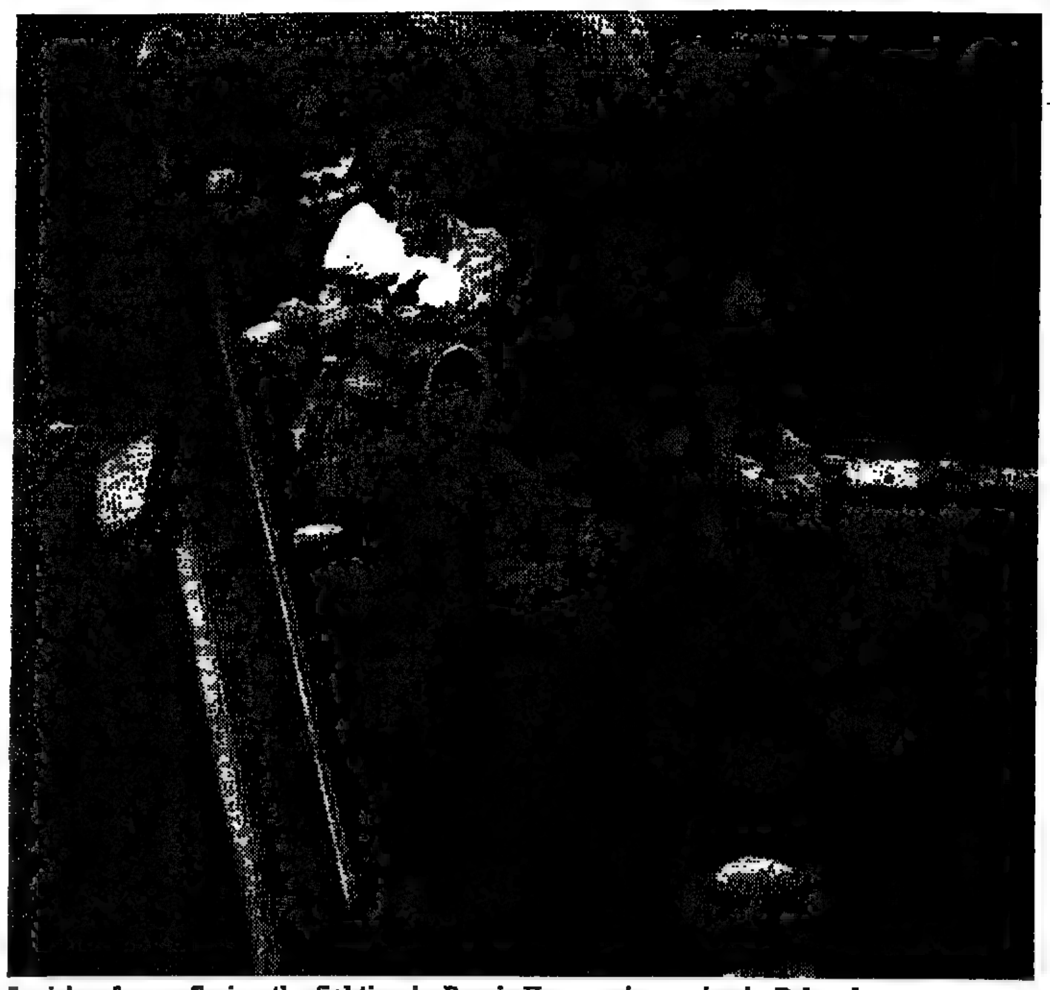
FINANCIAL TIMES
Monday April 13 1992



Bank to seek rescheduling from IMF and creditors of its $15bn debt

# Yugoslavia devalues dinar by 57%

By Laura Silber in Belgrade



Jewish refugees fleeing the fighting in Bosnia-Hercegovina arrive in Belgrade

THE Yugoslav federal government is to devalue the dinar by 57.5 per cent today, in an attempt to combat soaring inflation.

It follows the announcement on Friday by the National Bank of Yugoslavia that it would seek rescheduling from the International Monetary Fund, World Bank and commercial creditors of its $15bn debt. "Despite our intention to go on paying our foreign obligations in the second quarter, we shall have to talk to our creditors on reprogramming our debts," said Mr Dusan Vlatkovic, the NBY governor.

He said $2.4bn of currency reserves would be "wiped out after paying an estimated $300m which has been allotted for the IMF and World Bank and the most basic needs of the Yugoslav federation".

About a third of the debt is owed to western commercial banks, but the question of how to divide the debt among the former Yugoslav republics has not been resolved.

"It is currently impossible to negotiate this question while the war is going on," a western diplomat said.

The economic situation in the rump Yugoslav federation – comprising Serbia, Montenegro and the southern republic of Macedonia – has rapidly deteriorated. Diplomats say Serbia has printed money in order to pay for the federal army and stave off worker unrest.

Exports of $1.635bn in the first quarter this year were down by at least 26 per cent on the year before. Exports in March were 22 per cent below those of the previous month. Prices have soared. Agricultural products and foodstuff prices this year were 567.2 per cent higher than in 1991.

The Yugoslav dinar is still the official currency in Serbia, Montenegro, Bosnia-Hercegovina and Macedonia. Croatia and Slovenia, recognised as independent states in January, have already introduced their own currency.

Economists yesterday doubted whether the devaluation would shore up the national currency. The official rate is now 200 dinars to DM1, down from 85 dinars.

"The official rate is still far below the black market rate of DM1 to 500 dinars," economist Ivan Vujacic said. "We can expect it to fall even further." The move to curb inflation, which economists say could reach an annual rate of 100,000 per cent, follows a 26 per cent devaluation in March.

# British interest rate cut hopes dashed

By Edward Balls in London

BRITISH Treasury officials are waiting to see the markets' considered reaction to the election result before deciding whether to cut interest rates.

The pound gained 2½ pfennigs during Friday's trading. But the Treasury poured cold water on hopes of a rapid interest rate cut to speed recovery.

"Friday's reaction was not necessarily the last word about whether or not the election result alters the scope for interest rate cuts," a Treasury official explained.

Analysts expect the government to resist both an early interest rate cut or a move to narrow bands within the European exchange rate mechanism until the recovery is clearly underway.

Mr Bill Martin, chief UK economist at UBS Phillips & Drew, thinks the government will wait to see how much pent-up expenditure was delayed by the election before deciding whether to cut rates.

"Interest rate cuts will be delayed until sterling is considerably stronger than it was on Friday," said Mr Martin. At DM2.88, sterling remains at the very bottom of its notional narrow ERM bands around a central rate of DM2.95.

The government's room for manoeuvre on interest rates may be limited by high German interest rates. UK rates are only ¾ of a percentage point higher than in Germany and no ERM member country has lower rates than in Germany.

But some economists believe the election result might allow the government to cut interest rates below those in Germany. "There is now no substantive worry about the possibility that the government might devalue" said Mr Martin of UBS.

Mr Peter Spencer, UK economist of Shearson Lehman Brothers, the US-owned securities house, agrees. He expects consumer spending and house prices to pick-up without an interest rate now the uncertainty surrounding the election has gone. "But if there is no recovery within six months then the Treasury will try to push base rates down below those in Germany."

Mr Spencer does not expect the government to move to narrow bands until the recovery is clearly under way. "The government will want to keep its options open just in case there is a slump" he added.

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Overseas investors examine Mr Major's wares, Page 19

# Three-way contest for UK anti-tank helicopter order

By David White, Defence Correspondent, in London

THE UK'S General Electric Company is set to confront British Aerospace and Westland in a £2bn ($3.44bn) contest to manage the supply of anti-tank attack helicopters for the British army.

The three companies are expected to compete for selection as prime contractor, with each proposing a different foreign helicopter.

GEC is believed to have been negotiating a pact with Bell Helicopter Textron of the US to put forward the latest version of the US manufacturer's SuperCobra helicopter as a surprise third British-led entry in the contest.

BAe has already reached a preliminary agreement with the French-German Eurocopter consortium for the planned Tiger helicopter, with BAe poised to take the lead role in a UK contract. Eurocopter is a joint venture between France's state-controlled Aérospatiale and MBB, part of the Daimler-Benz group.

Favourite for the contract, however, is the US AH-64 Apache, which Westland proposes to assemble in the UK under an agreement with the helicopter's manufacturer, McDonnell Douglas. Westland is Britain's only helicopter maker.

Tenders were due to be formally invited this spring but the Ministry of Defence has put this off until October.

The Conservative election victory is expected to reinforce the MoD's determination to hold a competition, in spite of pressure from army commanders to proceed with an early order for the Apache.

GEC would not comment on the possibility of a joint bid with Bell. But Mr David Fletcher, managing director of its defence arm GEC-Marconi, has made no secret of the company'scontinuing ambitions to secure a foothold in the helicopter business.

Last year, GEC failed in a joint bid with BAe to take responsibility for a £1.5bn contract to supply the EH101 Merlin anti-submarine helicopter to the Royal Navy. The helicopter is made by Westland in collaboration with Agusta of Italy, but GEC supplies a number of key systems. That contract was awarded to IBM, the US computer group, in association with Westland.

Just emerging from an order slump, Westland initially tried to play a double game in the attack-helicopter contest by reaching collaboration agreements with both McDonnell Douglas and Eurocopter. But last year it let its option with the Franco-German group lapse.

The MoD aims to receive bids next spring and place a contract in mid-1994. The contract, including weapons, ground equipment, support and training, will initially cover 12 helicopters but the total purchase is expected to involve about 125.

# Kinnock to stand down

Continued from Page 1

Major's intention of giving the government a more responsive image while sticking to the core of its economic strategy.

The prime minister has balanced promotions for those on the left and centre of his party with comparable moves for the most prominent figures on the right. Mr Michael Howard, a leading free-marketeer, takes over an expanded Department of the Environment.

Some ministers had expected the prime minister to move Mr Lamont from the Treasury, but Mr Major was said to have been impressed by the chancellor's determination to curb inflation in the approach to the election.

Mr Lamont will also be a key figure in piloting through the House of Commons legislation to give effect to the treaty on economic and monetary union agreed at Maastricht.

Mr Major's decision to reward Mr Heseltine for his vigorous role in the election campaign will give the DTI much greater influence in shaping policy towards business. He will take over the Department of Employment's previous responsibilities for small businesses and the DTI will also take charge of the oil and coal industries.

Mr Heseltine will have the political weight to pull together the various Whitehall responsibilities for industrial policy to meet criticism that the government provides far less support for industry than many of its European counterparts.

# Estimates of German growth halved

Continued from Page 1

wage settlements have increased, growth has slowed and overall economic prospects dimmed.

Today's report seems unlikely to remove all the uncertainties. Its forecasts are based partly on the assumption that average pay rises will be 6 per cent this year, compared with 6.7 per cent in 1991. There is some improvement, however, in forecasts for consumer price increases. They are now expected to average 3.75 per cent, compared with the earlier forecast of 4 per cent and last year's rate of 3.6 per cent.

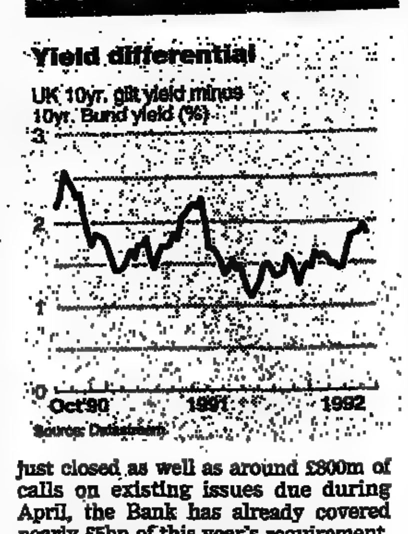
In recent months, the bank has made no secret of its concern about widespread inflationary pay claims. Last December's rates rise was also intended to send a clear signal that it would not tolerate inflation at then-current levels of around 4 per cent.

Contributors to the report are HWWA in Hamburg, DIW in Berlin, IWD in Kiel, Ifo in Munich and RWI from Essen.

THE LEX COLUMN

# The price of Mr Major

FT-SE Index: 2572.6 (+136.2)




After the turmoil of last Friday, the most pressing question for the UK markets this morning is how much foreign money is still heading for London. From the international investor's viewpoint, a stable right-of-centre government with a five-year term ahead of it is a scarce and valuable commodity. If it offers a yield of over 9 per cent on its bonds and nearly 5 per cent on equities, so much the better. The snag is a familiar one: currency risk.

Despite the markets' preoccupation with Labour as the party of devaluation, it is worth recalling that all the overt hostility to the ERM in recent months has come from the Tory camp. Much of it can be ignored as disaffection among the Thatcherite old guard. But when a centrist Tory newspaper like The Sunday Times calls, as it did yesterday, for sterling to be devalued by 10 per cent within the system, the foreign investor is entitled to ask how much has changed.

One answer is that Mr Major, who was responsible as chancellor for taking sterling into the ERM at its present rate, can now do just as he likes. If he did not crack when the Tories were behind in the polls, he is scarcely likely to do so now. Against that is the fact that discussion of the ERM, as of all things European, was suppressed in the run-up to the election precisely because the Tories were internally divided. If UK economic recovery proves prompt and durable, the issue should die. If not, the wrangling is all too likely to return to the surface.

That apart, a great deal depends on how much demand for UK financial assets was suppressed in advance of the election. But it is sobering to compare Friday's reaction to what happened on ERM entry 16 months ago. Then, the FT-SE rose 130 points in the first two days. Over the next fortnight, it lost it all again. The reason, then as now, was that less had changed than the market first imagined.

## Gilts

One might well ask why Mr Norman Lamont ever worried about balancing the budget over the cycle. By the time the election result was confirmed last Friday, the Bank of England had not only officially issued £1.6bn in new paper but had also made undisclosed sales of around £1bn and announced an auction for the end of the month. And still the long gilt future closed nearly four points up on the day.

After adding in an estimated £1.6bn of overfunding for the financial year just closed as well as around £800m of calls on existing issues due during April, the Bank has already covered nearly £5bn of this year's requirement. So the alarm that greeted disclosure of the £28bn PSBR for 1992-3 looks somewhat overdone. It helps that the election is not only out of the way but has been won outright by the Tories. That should make this year's autumn spending round less worrying for the market than it would have been under a minority Labour chancellor.

This is not to say that funding the PSBR will be plain sailing from now on. It remains a general worry that Japanese purchases of US government bonds could dry up, undermining government bond markets everywhere.

Closer to home, the assumption behind Friday's surge was that the UK's commitment to the ERM was finally established, thus reducing future inflationary risk and allowing gilt yields to converge towards German levels as Europe proceeds towards currency union. Convergence is by no means automatic, however. The UK's obsession with its election may have obscured doubts elsewhere about the Maastricht Treaty, typified in Denmark's referendum plan. Such concerns could quickly undermine the convergence theory and even prompt speculation about a D-Mark revaluation, which would be a worry for overseas investors in UK gilts.

Although the UK PSBR is still not large in real terms for this stage in the cycle, the market cannot ignore the fact that it will double this year. Next year it will rise again, even under the Treasury's optimistic growth assumptions. It thus becomes clear why the Bank of England was so quick to avail itself of Friday's opportunity.

Expectations of a base rate cut at some stage in the summer could support the short end of the market over coming weeks, allowing the Bank to dribble out some more paper. However, the spread over German bonds has narrowed to only around 150 basis points from well over 200 ahead of the election. Since France, with its better inflation record, still maintains a yield gap against Germany of around 80 points, that seems enough UK outperformance for the time being. Admittedly, the auction will tap the long end of the market hitherto neglected by the Bank. But until it fixes the amount involved after Easter, the possibility of up to £3bn in extra supply will also overshadow the market. After Friday's frenzy, it needs a period of calm.

## France

Confirmation in Paris last week that the French finance ministry is preparing legislation to outlaw partial takeovers is a welcome development. The practice of making bids for only two-thirds of a company's equity has long antagonised the institutions, besides reinforcing outside suspicions that the Paris market is tilted against minority shareholders. An important turning point was this year's partial offer by Pinault for the Parisian stores group Au Printemps, which infuriated a wide range of market opinion. Significantly, the Agnellis were quick on a later occasion to convert their initial two-thirds bid for Exor into a full takeover bid when mutterings of disapproval turned into a crescendo of discontent.

While bourse reform in the last decade has improved France's international standing, it would be wrong to think that the country is about to become a paradise for the likes of Lord Hanson. The concept of concert parties remains ill-defined and, though the spirit of the new law will be against them, one wonders just where the line will be drawn. The government will be reluctant to surrender its power to intervene where defence, banking and other strategic interests are at stake. A key challenge, though, is to find a way of conducting takeovers which does not involve excessive use of the courts. The disagreement between the COB and the CBV – the two Stock Exchange authorities – is part of the problem. Much as it may stick in local throats, some body based on the UK's Takeover Panel may ultimately be required.



## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Boulogne | C | 10 | 50 | Frankfurt | F | 17 | 63 | Majorca | S | 21 | 70 | Oporto | S | 18 | 64 | Tenerife | S | 19 | 66 |
| | | | | Brussels | C | 10 | 50 | Geneva | S | 16 | 61 | Malaga | S | 22 | 72 | Oslo | F | 11 | 52 | Tokyo | S | 16 | 61 |
| | | | | Budapest | F | 15 | 59 | Gibraltar | S | 21 | 70 | Malta | F | 16 | 61 | Paris | C | 13 | 55 | Toronto † | F | 1 | 34 |
| Ajaccio | S | – | – | Buenos Aires | F | 21 | 70 | Glasgow | R | 6 | 43 | Manila | F | 36 | 97 | Prague | S | 17 | 63 | Tunis | F | 17 | 63 |
| Algiers | S | 20 | 68 | Cairo | F | 25 | 77 | Helsinki | R | 4 | 39 | Melbourne | S | 24 | 75 | Reykjavik | S | 5 | 41 | Valencia | S | 21 | 70 |
| Amsterdam | S | 18 | 65 | Cape Town | S | 19 | 66 | Hong Kong | F | 19 | 66 | Mexico City | C | 25 | 77 | Rhodes | F | 18 | 64 | Venice | S | 17 | 63 |
| Athens | F | 13 | 56 | Caracas | F | 29 | 84 | Innsbruck | S | 14 | 57 | Miami † | R | 24 | 75 | Rio de Janeiro | F | 32 | 90 | Vienna | S | 16 | 61 |
| Bahrain | S | 28 | 82 | Casablanca † | S | 17 | 63 | Inverness | F | 9 | 48 | Milan | S | 17 | 63 | Rome | S | 17 | 63 | Warsaw | C | 11 | 52 |
| Bangkok | F | 39 | 102 | Chicago † | S | 1 | 34 | Islamabad | F | 28 | 82 | Montreal † | C | 1 | 34 | Salzburg | S | 16 | 61 | Washington † | S | 12 | 54 |
| Barcelona | S | 17 | 63 | Cologne | F | 17 | 63 | Istanbul | F | 8 | 46 | Moscow | C | 1 | 34 | S'Francisco † | F | 15 | 59 | Zurich | S | 15 | 59 |
| Beijing | S | 17 | 63 | Copenhagen | C | 12 | 54 | Jakarta | R | 33 | 91 | Munich | C | 15 | 59 | Seoul | F | 9 | 48 | Temperatures at midday yesterday | | | |
| Beirut | C | 21 | 70 | Corfu | R | 14 | 57 | Johannesburg | S | 25 | 77 | Nairobi | F | 25 | 77 | Singapore | F | 29 | 84 | † Noon GMT temperatures | | | |
| Belfast | C | 8 | 46 | Dallas † | F | 22 | 72 | Lisbon | S | 19 | 66 | Naples | S | 16 | 61 | Stockholm | C | 6 | 43 | C–Cloudy Dr–Drizzle | | | |
| Belgrade | F | 12 | 54 | Dublin | F | 7 | 45 | London | R | 14 | 57 | Nassau | C | 28 | 82 | Strasbourg | S | 19 | 66 | F–Fair Fg–Fog H–Hail | | | |
| Berlin | F | 16 | 61 | Dubrovnik | | – | – | Los Angeles † | S | 12 | 54 | New Delhi | S | 31 | 88 | Sydney | S | 23 | 73 | R–Rain S–Sunny | | | |
| Biarritz | C | 13 | 55 | Edinburgh | S | 11 | 52 | Luxembourg | S | 15 | 59 | New York † | C | 6 | 43 | Taipei | R | 22 | 72 | Sl–Sleet Sn–Snow | | | |
| Bombay | S | 31 | 88 | Faro | S | 18 | 64 | Madeira | C | 17 | 63 | Nice | S | 17 | 63 | Tangier | S | 17 | 63 | T–Thunder | | | |
| Bordeaux | Dr | 11 | 52 | Florence | S | 18 | 64 | Madrid | S | 18 | 64 | Nicosia | F | 19 | 66 | Tel Aviv | F | 25 | 77 | | | | |

FINANCIAL TIMES
# COMPANIES & MARKETS
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## INSIDE

### Mortgage groups put up the For Sale signs


After three years of recession in the housing market the UK mortgage business is littered with the corpses of hopefuls who entered it at the height of the 1980s mortgage boom. No fewer than thirty mortgage portfolios belonging to smaller lenders are currently on the market. Some of the stars of the 1980s mortgage market have put lending on the backburner for the time being. Others have given up completely. Page 18

### Amateur chartism wins

Possibly the worst forecast I ever made was that Japanese equities might fall as much as 60 per cent from their peak, **writes Anthony Harris** (left). Not so bad, you may think? Only if you ignore the timing. This was in a speech to the American business economists in September 1987. How is it possible to get the timing so wrong, yet the scale so nearly right? Amateur chartism, that's how. Page 21

### Battle for LTV ends

Thomson-CSF of France, the state-controlled defence business, and the Washington-based Carlyle Group have won the bidding war for control of LTV's missile and aerospace businesses with a joint offer. US bankruptcy court Judge Burton Lifland ruled on Friday afternoon that the Thomson-Carlyle bid was "the highest and best offer", beating a joint bid from two American defence companies — Martin Marietta and Lockheed. Page 19

### Election boosts gilt sale

The Bank of England has kicked off its gilt funding programme for the 1992-93 financial year at a much healthier rate than it could have envisaged a week ago, thanks to the surge in the market sparked by the surprise Conservative election victory. Page 20

### Australian miner in trouble

CRA, the Australian mining house, faces further earnings difficulties in 1992 following a profit fall. Page 16

### Market Statistics



### Companies in this issue



O&Y founder to unveil 10-year repayment plan in Toronto today

# Reichmann to ask for 90-day grace on debts

By Robert Peston and Bernard Simon in Toronto

Mr Paul Reichmann will today make an offer to 100 banks which he hopes that they cannot refuse. The founder of the world's biggest property developer, Olympia & York Developments, will ask the banks at an afternoon meeting in Toronto's Sheraton hotel to reschedule principal and interest payments on between US$4bn and $5bn of loans.

O&Y will warn that if the banks refuse they risk unbearable losses on $12bn, which is the debt in all O&Y companies, excluding its non-property subsidiaries. Those loans are less than some analysts believed. Nonetheless, if O&Y were to have asked for a reconstruction of all that, some banks could have been in difficulties.

O&Y does not expect the banks to give agreement to the plan without months of wrangling.

As a first step, O&Y wants a 90-day period of grace during which principal payments will be frozen and some interest will be deferred. The final plan will, however, involve rescheduling principal and rolling up interest to the end of the decade.

This famously secretive company will make a detailed presentation of how the crisis evolved and its long-term prospects. Banks will receive hundreds of pages of financial documents. There will also be speeches from Mr Steve Miller, partner in investment bank James D Wolfensohn Inc, and from O&Y's key managers, such as Mr Michael Dennis, in charge of O&Y's UK operations, which are at the heart of the company's difficulties.

Whenever a company asks for a financial reconstruction, banks are forced by regulators to make big provisions to cover the risk of losses on loans to that company. O&Y is bending over backwards to minimise the provisions banks will have to make. It hopes to convince them that in time they will be repaid in full.

"The rationale behind the restructuring is that everyone eventually gets 100 per cent", said a source close to the talks between O&Y and its banks, which are led by Canadian Imperial Bank of Commerce, Citicorp of the US and Hongkong and Shanghai Banking Corporation.

Banks will be told that O&Y's net assets, at market value, are between $5bn and $5.5bn.

The balance sheet value of those assets, based on their cost rather than their market worth, is $4bn.

Both those figures are calculated on the assumption that O&Y remains out of liquidation. If there were a fire sale of its properties and shareholdings, it is by no means certain that the proceeds would cover its borrowings. O&Y is so influential in certain markets, such as the Manhattan office market, that if it collapsed, the effect on prices would be devastating. It is confident that by the late 1990s, an economic upswing will push up both rental income from its properties and the value of the buildings themselves. The banks may question some of those assumptions.

Of the debt to be rescheduled, only $300m is unsecured. The $4bn to $5bn being renegotiated has four main elements:

- $2.5bn provided by a banking syndicate.
- Another $500m in a separate syndicated loan.
- $300m in working capital lines.
- Around $1bn borrowed to finance the construction of Canary Wharf in London's docklands.

Around 50 banks in all, out of O&Y's 100 banks, will be affected by the rescheduling. O&Y's future depends in part on whether they can be persuaded that it is fair that the remaining 50 will not be asked to make sacrifices.

Mr Reichmann wants to insulate all debt outside the central holding company from the reconstruction.

Banks which have provided finance for individual property developments in the US and Canada — totalling $5.8bn for the US properties and US$1.8bn for the Canadian — will not be asked to reschedule, since rental income from most of these properties will be sufficient to service the loans.

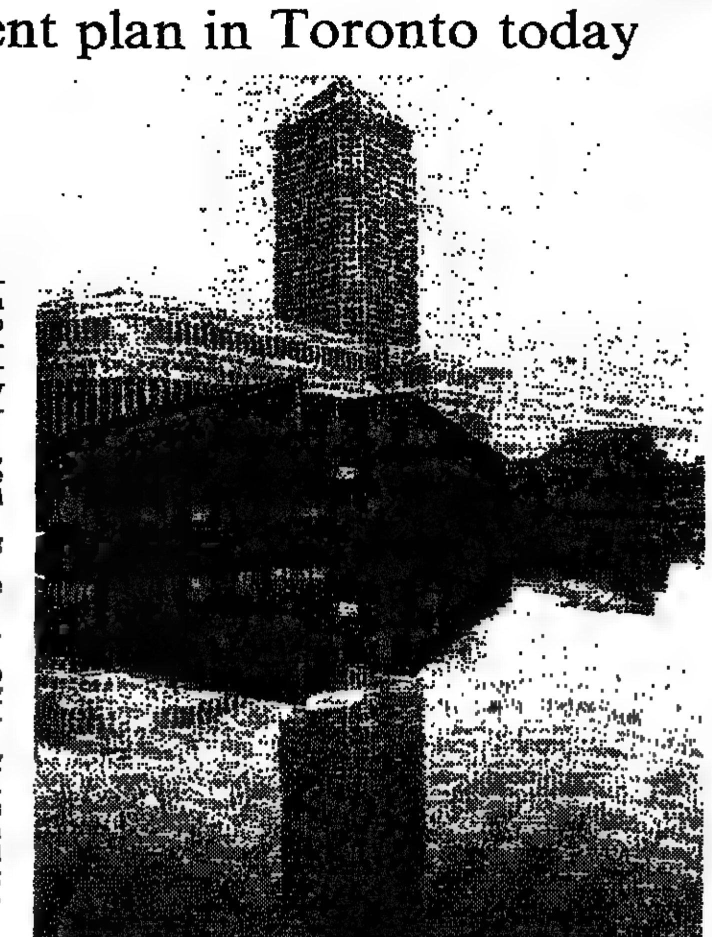
O&Y will also argue that the interests of lenders to the parent will be damaged if the property finance is renegotiated. It will note that the intrinsic value of the parent rests on its reputation for honouring all its commitments on individual buildings.

However, some lenders may be convinced that O&Y's reputation has already been damaged considerably. They may ask what more they have to lose by pulling the rug.

"If we have to reschedule", they may argue, "everyone has to reschedule".

Mr Reichmann has to convince them that threat would be suicidal.

Observer, Page 15



Ashley Ashwood

Canary Wharf: Paul Reichmann is reflecting on a towering ambition

# A victim of hubris falls at Canary Wharf

Olympia & York was a victim of hubris, 300 bankers representing 100 banks will be told today. In 1988, it appeared to be the strongest property company in the world. Its net assets were worth C$11bn (US$9.3bn) and parent company borrowings were less than C$2bn. That gave Mr Paul Reichmann the confidence to make the biggest gamble of his career: the creation of a financial city in London's docklands at Canary Wharf.

It started work that year on a dozen Canary Wharf buildings simultaneously. If O&Y had followed traditional practice in the property industry, it would have brought in partners, or arranged bank finance before construction work started. But given its strength in North America, it chose to do neither.

It went solo, using its own resources for the initial development, planning to bring in partners and project finance at a later stage. In the succeeding three years, O&Y spent US$3bn on the project from its own resources. By 1990, it was ready to raise finance from banks for individual buildings directly without recourse to its own balance sheet. But by then, the market for property finance had dried up, thanks in part to the unease caused by Iraq's invasion of Kuwait.

O&Y was caught in a double squeeze. The value of its US and Canadian properties was falling. Cash flow from its non-property investments, such as the forest products group Abitibi-Price, was dwindling as well. Because of Canary Wharf, group borrowings were rising sharply. It did raise a £500m facility from a club of 10 banks specifically for Canary Wharf in November 1990, but even this was guaranteed by the parent. Far more money was needed. In the second half of 1991, it was close to getting £300m, secured against the main Canary Wharf Tower, from another club of banks. But one bank dropped out and the deal collapsed. This was the straw that broke O&Y's back. From the beginning of February to early March, Mr Reichmann tried every device he knew to raise cash.

He persuaded a group of Canadian banks, led by Canadian Imperial Bank of Commerce, to provide $240m for a couple of years, until the property financing market recovered. But before the funds were actually advanced to O&Y, the company faced a rapid depletion of its cash resources. Investors were refusing to repurchase commercial paper, or short-term debt securities, after a credit rating agency, Dominion Bond Rating Services, issued a gloomy assessment of O&Y's credit-worthiness.

To add insult to injury, one of the banks in the $240m syndicate questioned whether the money should be provided. The bank feared the funds would be used to redeem commercial paper.

By this stage, Mr Reichmann was exploring every avenue for raising funds. To allay the fears of the banking syndicate, he talked to investment bankers about the possibility of selling non-property assets. Almost immediately afterwards, there was a wave of rumours that O&Y was in serious financial difficulties. O&Y decided to sell Interprovincial PipeLine and shares in that oil pipeline company were suspended.

This move was widely misunderstood. The chairman of a big Far Eastern bank rang Mr Reichmann to warn him that he had heard O&Y was bankrupt. The rumours made it inevitable that holders of all C$800m of O&Y's commercial paper would want their money back. At the same time, three attempts by O&Y to raise funds in London — £250m from an Enterprise Zone unit trust, $300m from a loan on a building let to the US investment bank Morgan Stanley and £250m from selling bonds secured against the Canary Wharf Tower — all collapsed. By mid-March Mr Reichmann had no doubts about the cost of his Canary Wharf gamble. For the first time in his career, he would have to admit to the banks that O&Y could not pay its debts on time.

**Robert Peston and Bernard Simon**

# Lloyd's may form fund to aid Names

By Richard Lapper in London

LLOYD'S OF LONDON may set up a market fund to help Names — the individuals whose assets back underwriting at the insurance market — hardest hit by the market's recent heavy losses, Mr David Coleridge, Lloyd's chairman, confirmed yesterday.

A number of schemes have been examined and it is possible that Mr Coleridge could recommend the adoption of one of them at a meeting of the Council, the market's governing body, later this month.

Mr Coleridge said he didn't want to "raise expectations" but he was "looking very carefully to see if there was a scheme he could recommend".

The fund would be designed to cap the losses of hundreds of Names incurred by their participation in syndicates specialising in catastrophe reinsurance.

Syndicates managed by Feltrim, Gooda Walker and other agencies ran up half the market's 1989 loss of over £1.35bn, which Lloyd's will report in June.

Many are involved in litigation either against Lloyd's or their agents.

"For Lloyd's to be seen to be looking after its walking wounded would be well received around the world," said Mr Coleridge.

"One has to look at these schemes. It is humane and necessary," he added. "If I wasn't looking at it I would not be doing my duty."

Mr Coleridge said he had been considering the idea for some months. Cost was a problem — the fund would need to be financed by the market as a whole, possibly by a levy on members.

But as a condition of benefiting, Names would agree to drop litigation either against Lloyd's or their agents. As part of the deal Lloyd's would establish a new arbitration procedure to handle disputes.

"If negligence were found this would still have to be paid for," said Mr Coleridge.

Over 2,000 Names are currently involved in legal action.

The Commercial Court meets today in the fourth day of an action brought by 820 Names seeking injunctions to prevent Lloyd's from drawing down from their deposits to meet cash calls.

A new grouping of Names, formed last week by representatives of action groups, can be expected to participate in any negotiations about a deal.

# Pain in Spain falls mainly on the service sector

### Economics Notebook
By Peter Bruce in Madrid

ONE OF Spain's more enthusiastic newspapers carried the news yesterday that 44 per cent of the population believe the time is ripe for the trade unions to call a one-day general strike similar to one which stopped the country in its tracks on December 14, 1988.

The poll, though, will be neither news nor frightening to the government. In the first place, it sailed through the 1988 strike without trouble and it was, in fact, the unions who stumbled afterwards.

Second, if there is a general strike it will already have been discounted — perhaps even deliberately triggered — by the Machiavellian minds that plot Spanish economic policy.

Chief plotter is Mr Carlos Solchaga, finance minister. Readers may remember him making an elaborate attempt last summer to persuade the unions to sign a "competitiveness pact" with the government. This involved a long-term wages agreement and pay rises linked to increases in productivity and there was no way the unions were ever going to sign it.

Mr Solchaga knew that, just as he knew that his tight budget proposals for this year would be strongly rejected by the socialist party when they were presented last autumn. But in Spanish politics deception is everything.

The unions and the left wing of the party were being set up for a terrible revenge and the minister was carefully preparing for the first few days of April 1992. This was when he would present his Convergence Plan, a document, presumably, which would map out how Spain planned to meet the economic targets set out at Maastricht in December for those EC members wishing to be among the first to join in economic and monetary union in 1997 or, in the worst case, 1999.

These were: to have remained in the narrow band of the exchange rate mechanism for two years without forcing a change in parities, an inflation rate of not more than 1.5 per cent over the three best performers and, among other criteria, a public sector deficit of not more than 3 per cent of GDP.

Spaniards got a first taste of it at the end of March when the Prime Minister, Mr Felipe Gonzalez, made convergence the theme of his annual state of the nation speech to parliament. It was a ringing pre-endorsement of what was swiftly to follow. The following Friday, April 3, the finance ministry published the plan and its most startling section was a note called "Reinforcing the job-seeking process".

This was basically an announcement that Madrid was cutting unemployment benefits across the board and, even more dramatic, that it was doubling the time in employment required to qualify for the benefits.

If an unemployed worker refused just one job offer, the benefit would be withdrawn. In return, the plan mumbled something about creating 60,000 new college apprenticeships.

The unions quickly labelled this the most severe attack ever by an elected government on organised labour. That was probably an understatement. Four days (including a weekend) after showing copies of his plan to the press, the minister spent six hours defending it in parliament. A day later, Wednesday, the welfare measures were decreed in the government gazette and they were law.

Unless Mr Gonzalez loses his nerve and stops his apparently fulsome support of the finance minister, there will almost certainly be a general strike in Spain within the next 12 months. The climate is already sour in Madrid, where pay strikes have caused serious sanitary problems in the metro and at the airport, which have not been cleaned for weeks.

Mr Solchaga does make an oblique case for the benefit cuts in his plan. If Spain is to converge (or lower) its public sector deficits, inflation and interest rates and grow at the rate the plan predicts (3 per cent this year to 3.6 per cent in 1995) then it has to grow 1 per cent faster than the rest of the Community. This may be feasible, given that it has five years to put its macroeconomic house in order, but it assumes that above average growth is possible because it has been achieved ever since Spain joined the Community in 1986.

The 1986-1989 boom is, however, long gone. Last year the economy grew just 2.4 per cent. But the plan neatly separates out nominal convergence, which involves cutting industrial subsidies and budgets to meet Maastricht targets, and "real" convergence, which Mr Solchaga has invented with a view to finally making Spain the kind of society he wants it to be.

"Real" convergence is where the workers are more mobile, where the doctors, lawyers, architects and chemists are not protected by Napoleonic rights giving their clubs or colleges total control over their professions, where it does not take three trades to fit a gas meter, where the health service patient is entitled to expect service and expected, in return, to pay for it and where banks service their customers and not the other way around.

The oblique case for "real" convergence is that the causes of Spanish inflation now are mostly to be found in the service sector. As import barriers have fallen, Spanish industry has been forced to cut prices to compete. Mr Solchaga wants to remould the service sector. The unemployed are in that sector, along with the doctors, plumbers and customers.

At the moment Spain's new anti-trust authority is compiling data on the way the professions protect themselves.

This will be passed on to the minister and the axe will fall. A sweeping, almost Thatcherite reform of the health service is also certain to happen, with hospitals managing their own budgets and patients probably paying a larger portion of their prescriptions.

The political calculation in all of this marks a dramatic change from Mr Gonzalez' caution of the past decade.

With exactly half the seats in parliament now and an election obligatory by October next year, he could probably improve his majority by doing nothing. By deciding to shake up the workers, the health service and the professions, he risks losing support. Clearly, though, he is convinced that does not matter.

# Japanese banks hit Basle threshold

By Simon London in London

THE latest decline of Tokyo equity prices has left many Japanese banks short of international capital adequacy standards which come into full force next year.

A report by IBCA, the London-based credit rating agency which specialises in the banking sector, said that the fall in the Nikkei stock market index below 17,000 last week left virtually all Japanese banks below the 8 per cent capital-to-assets ratio demanded by the Basle Accord on international capital adequacy.

Analysts at Daiwa Securities in London also calculate that the average capital ratio of Japanese banks is now just below the threshold demanded by the international agreement.

IBCA noted that a fall in the Nikkei to around the 15,000 level would wipe out the hidden reserves of some banks, including Bank of Tokyo, forcing them to take valuation losses by writing down equity investments.

"If the authorities were to rigidly insist on maintaining capital ratios, the Japanese banks would have to dramatically reduce lending. They have already done this on the international scene but so far there are no signs of a credit crunch in Japan," the report said.

There are no international sanctions in place against banks which fail to meet the Basle targets.

However, regulators are already concerned that they have inadequate control over foreign bank branches operating in their jurisdiction.

# New generation looks to the future

**David Barchard** on the recession-battered UK mortgage market

AFTER THREE years of recession in the housing market the UK mortgage business is littered with the corpses of former hopefuls who entered it at the height of the 1980s mortgage boom.

No fewer than thirty mortgage portfolios belonging to smaller lenders are currently on the market.

Some of the stars of the 1980s mortgage market, such as National Home Loans and The Mortgage Corporation, have more or less put lending on a backburner for the time being.

Others have given up completely. Chase Manhattan sold its mortgage business to the Household Mortgage Corporation last year, while Canadian Imperial Bank of Commerce has been seeking a buyer for many months.

Prior to this some American banks, such as Chemical Bank and Bank of America, abandoned the UK mortgage market even before the housing boom had ended because of balance sheet pressures in the US. Citybank, however, one of the survivors, has remained in the market. Little is also heard these days from United Bank of Kuwait and Sumitomo, the two foreign banks which attracted widespread publicity in the mid-1980s by undercutting other mortgage lenders.

However, one group of recent entrants to the UK mortgage market shows no signs of folding its tents. It is the group of banks from mainland Europe, mostly from France, which entered the market in the late 1980s with a view to learning about the British mortgage industry in advance of 1993 and the Single European Market.

"We want to be in most of the European Community countries and this is the best mortgage market in Europe, with more transactions and a higher percentage of home ownership than anywhere else. It is also the easiest to get into since there are fewer government restrictions," says Mr James Schoedinger, chairman of UCB, a French mortgage and commercial lender, owned by Compagnie Bancaire and the Paribas Group.

UCB entered the UK mortgage market in 1986 by buying up Commercial Credit's mortgage operation which then had a book of £200m. It now has 16 branches and a mortgage book of £2.7bn which would put it nearly half way up the table of the top twenty building societies.

Other French banks in the UK mortgage market include Crédit Agricole, with a book of £600m; BNP, which bought Chemical Bank's mortgage book in 1989 and now has a book of £2bn, Crédit Fonciere and Societé Générale. The last two are represented by a joint venture called Capital Home Loans which has a book of £200m.

The stream of new recruits has not dried up. Crédit Lyonnais is currently setting up a UK mortgage operation, to be run by Mr Alan Guyatt, the former manager of Chase Manhattan's mortgage operation. French banks have been able to enter the UK market and stay in it partly because most of them are state-owned institutions which are not under the same capital constraints as their competitors in other countries.

But they are not alone. One Italian Bank, San Paolo, remains in the UK market and another Italian housing finance specialist institution says that it is still contemplating entering the UK.

Scandinavia is represented by Mortgage Trust, owned by Scandinavian Bank, with a mortgage book of around £1bn.

Hypo-Bank, Germany's second largest mortgage lender, also entered the UK market in 1989 as Mortgage Services and has since built up a sizeable lending book of about £1.5bn.

"It was difficult to get the business at that time but we have also had fewer problems than the earlier entrants did. We want to expand into a high quality long-term book," says Mr Peter Sewell, managing director of MSL.

MSL has kept a low profile in the UK market partly because Germany has a highly regulated housing finance system which, unlike France or Spain, most foreign banks have so far regarded as an almost impossible tough nut to crack – Single Market or no Single Market. "There are a lot of lessons to be learned on both sides. The UK can learn a lot about fixed rate mortgages from the Germans," says Mr Sewell.

The Europeans in the UK mortgage market have learned some painful lessons themselves. Last year UCB made a profit of around £6m on its mortgage business, but not everyone has found it so easy.

Like the other 1980s specialist mortgage companies, the UK mortgage subsidiaries of the European banks sold most of their mortgages via the life assurance industry and panels of intermediaries. This was the sort of lending which later turned out to be most risky.

Mr Pierre Dardalhon, chief executive of Capital Home Loans, says: "We are not a money-losing operation, but it is difficult to make a profit in this market." Mr John Schuster, chief executive of BNP Mortgage, says that all the European lenders are now going for quality.

They all look set to stay in the UK. Though none of the other lenders can rival UCB's 16 branches and 700 staff, most now have substantial presences in the UK. Even the newest entrant, Crédit Lyonnais, has an existing network of eight branches handling corporate business. A generation of mainland European bankers is growing up with personal experience of life in the UK markets.

The unspoken question among many British banks and building societies is how long will it take before at least some of these continental mortgage operations develop into springboards for full scale retail banking operations.

# Harland and Wolff makes £4m provisions

HARLAND AND Wolff, the Belfast shipbuilder, made a profit of £2.11m in 1991, after £3.96m exceptional provisions.

Mr John Parker, chairman and chief executive, said £2.5m was restructuring costs to cover redundancies, as the shipping side reshapes during 1992 from a mixed naval and merchant builder to a series build merchant operation.

There were also one time provisions in Trassey Shipping for costs which were previously expected to be incurred over four years as the Knock Ardy traded.

The exceptionals were on top of a £4.4m operating loss, but the aggregate deficit was offset by interest received of £11m.

A redemption premium of £12m paid by the DED on the termination of its obligations under the recourse agreement pushed net profit up to £12.6m. Earnings per share were 3.8p and the final dividend is 3p for a total of 5.5p.

The extended programme on the AOR vessel added substantially to costs in the protective coatings and technical services companies as they both operate on fixed price contracts. The ship repair side and outfit service company had positive results. Electrical services results were unsatisfactory.

In the 18 months to December 31 1990 the group made a pre-tax profit of £11.7m.

# March chairman resigns as losses increase sharply to £4m

By Angus Foster

MARCH Group, which last year sold its specialist racing car and engineering businesses and has been under share suspension from the USM since last July, has announced increased losses and the resignation of its chairman, Mr John Cowen.

In the year ended October 31 1991 pre-tax losses were £3.97m (£1.3m).

There were also extraordinary debits of £1.67m (£1.85m) stemming from losses on the disposal of the motor racing business, provisions for a subsidiary in receivership and legal costs. That resulted in a loss per share of 12.7p (5.4p).

Mr Cowen retired on Friday and is being replaced as non-executive chairman by Mr David Cunningham, a corporate financier. Williams de Broe, the stockbroker, has also proposed, and had accepted, the appointment of two businessmen as executive directors.

March has finished winding down Cobbold Roach, the Southampton stockbroker acquired from Elders IXL. During March's ten months of ownership, Cobbold ran up more than £1m in losses and was made "virtually worthless" by a major fraud, the company said. Although most of Cobbald's liabilities have been met, some small claims are outstanding, leading to the freezing of some surplus cash balances.

Two court cases involving March have been settled out of court, although both led to lower than hoped for awards to March. Early this year, the company accepted a £2.1m settlement from Alfa Lancia which followed a disputed contract. An earlier settlement of $750,000 had been agreed with Patrick Racing in a related dispute.

# Davis Service sells contract hire subsidiary for £5.75m

By Angus Foster

DAVIS SERVICE group, the business services company formerly known as Godfrey Davis, has taken a further step away from its previous focus of vehicle hire and dealership with the sale of its contract hire subsidiary for £5.75m.

Davis is selling Godfrey Davis (Contract Hire), which operates more than 11,500 vehicles, to NWS Bank, a subsidiary of the Bank of Scotland. The price compares with a net asset value of £5.6m. The division reported reduced profits after interest charges of £800,000 (£2.6m) in 1991 as clients reduced their fleets.

The disposal follows the sale last May of three of Davis' four Ford dealerships. The remaining outlet is in St Albans, and the company has expressed interest in selling that. Davis' other divisions are involved in cleaning, work wear and site services.

## Correction

### Dawson Intnl

Private placement debt has been raised in the US by Dawson International, the knitwear manufacturer, and not by Dawson Group, the commercial vehicles maker, as reported Friday.

# ICI disposes of salt businesses for over £48m

Imperial Chemical Industries has completed the sale of its two salt businesses, first indicated in early February. They will be combined into a new company, Salt Union.

The management is the purchaser via a £48.5m transatlantic buy-out led by D George Harris & Associates, a leading US salt producer, and backed by an institutional equity syndicate headed by Foreign & Colonial Ventures and Chase Manhattan Investment Holdings.

Financing consists of £13.5m equity, £10m of mezzanine and £25m senior debt. F&C will be the largest equity investor.

# CRA facing difficult year

By Bruce Jacques in Sydney

CRA, the Australian mining house, faces further earnings difficulties in 1992 following the net profit fall from $A472.5m to $A350m in 1991.

Mr John Uhrig, the chairman, and Mr John Ralph, managing director, have outlined another year of pressure in the annual report.

Mr Ralph said it would be imprudent to try to anticipate the timing of a recovery in metal prices and demand. "In the medium to long-term, the recovery of the principal economies and the reconstruction of the Eastern European economies should see metal prices rise," he claimed.

"However, the immediate effect of the changes occuring in Eastern Europe and the former USSR has been to increase the amount of metal in world markets, swelling inventories and dampening prices.

"While no resource company can escape the global influence of diminished economic growth rates, the CRA group is favourably placed in relation to its international competition."

Mr Uhrig said there was unlikely to be a marked improvement in demand for the company's products in 1992. "However, the far from favourable conditions which persisted during 1991 still saw some significant improvements in several of CRA's businesses.

"I am confident that similar gains in efficiency will be sought and obtained throughout the CRA business units in the current year."

Gearing remained among the lowest of any Australian resource company, although rising from 20 to 25 per cent.

## IN BRIEF

CLASSIC THOROUGHBREDS has terminated discussions which might have led to an offer for the company.

INTERNATIONAL RESORT Holdings has acquired the remaining 80.1 per cent of the EGP Sports group it does not already own for up to £760,000 payable in loan notes. Further sum of up to £800,000 is dependent on EGP profits over the three year ending March 1995.

NATIONAL HOME Loans Holdings: Recent reductions in staffing levels has enabled the company to move back to its original premises in Solihull and grant a five year lease to British Gas on its 90,000 sq ft building in Homer Road with effect from August 3. The move is expected to produce savings of more than £2m per annum in rent, rates and ancillary services for NHL which will retain its 125 year lease on the Homer Road site.

## CROSS BORDER M&A DEALS

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| Investor Group (International) | Univision (US) | Television | £312m | Mexico's Televisa seeks US comeback |
| Skandia (Sweden) | Hafnia (Denmark) | Insurance | £244m | Tables turned on Hafnia |
| Government of Nauru | Compass Airlines (Australia) | Airline | £24m | Revised bid lodged |
| Dickson Concepts (Hong Kong) | Charles Jourdan (France) | Footwear | £16m | Staged luxury purchase |
| Sitec (UK)/TI Cycles (India) | Muddy Fox (UK) | Mountain bikes | n/a | "Substantial" buy from receiver |
| Cadbury Schweppes (UK) | Piasten Schokoladen fabrik (Germany) | Confectionery | n/a | Eastern access for Cadbury |
| RPM (US) | Martin Mathys (Belgium) | Adhesives | n/a | RPM's biggest European buy |
| RCS Video (Italy) | Majestic Films (UK) | Film distribution | n/a | Majority stake |
| Willis Corroon (UK/US) | C Wuppesahl (Germany) | Insurance | n/a | Stake adds to European network |
| GKN (UK)/Malaysian Investors | JV | Auto components | n/a | Asian toehold for GKN |

Source: FT Mergers + Acquisitions International

**Some familiar themes were developed by last week's new international merger and acquisition activity, writes Brian Bollen.**

**Restructuring continues in the European insurance sector where Skandia, Sweden's leading insurer, strengthened its Scandinavian and international position by agreeing to take over Hafnia. The deal turns the tables on Denmark's loss-making number two insurer, which bought heavily into Skandia late last year, in tandem with Uni Storebrand of Norway. Rubbing salt into the wound, Uni Storebrand is swapping most of its stake in Skandia for Skandia's reinsurance operations outside North America.**

**Willis Corroon, the world's second-largest insurance broker, added to its European network by taking a 20 per cent stake in C Wuppesahl, a German insurance broker.**

**Partnerships continue to develop between international airlines. The Belgian government finally approved the alliance between Sabena, the loss-making state-owned airline and French flag carrier Air France. The Government of Nauru, the guano-rich Pacific island, posted a revised takeover bid for Compass Airlines, a failed Australian carrier.**

**The latest western luxury retailing name to be taken over by a Far Eastern concern is French shoe maker Charles Jourdan, being bought by Dickson Concepts of Hong Kong.**

**Cadbury Schweppes is acquiring a foothold in the German confectionery market by buying 70 per cent of chocolate and sweets maker Piasten Schokoladenfabrik. Spanish dairy group Industrial Quesera agreed in principle to merge its interests with Kraft General Foods.**



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on [illegible]; Final Prices for Trading on [illegible]

| 1/2 hour period ending | Pool purchase price £/MWh (provisional) | Pool purchase price £/MWh (final) | Pool selling price £/MWh (final) |
|---|---|---|---|
| 0030 | 16.70 | 16.66 | 16.66 |
| 0100 | 16.66 | 17.66 | 16.66 |
| 0130 | 16.66 | 20.44 | 21.55 |
| 0200 | 16.37 | 20.44 | 21.53 |
| 0230 | 16.37 | 17.61 | 16.62 |
| 0300 | 16.37 | 17.60 | 16.62 |
| 0330 | 16.66 | 16.74 | 16.74 |
| 0400 | 16.76 | 16.70 | 16.70 |
| 0430 | 16.73 | 16.67 | 16.67 |
| 0500 | 16.70 | 16.64 | 16.64 |
| 0530 | 16.71 | 16.66 | 16.66 |
| 0600 | 16.70 | 16.65 | 16.65 |
| 0630 | 16.70 | 16.65 | 16.65 |
| 0700 | 16.66 | 16.65 | 16.65 |
| 0730 | 16.71 | 16.65 | 16.65 |
| 0800 | 16.73 | 16.65 | 16.65 |
| 0830 | 16.24 | 16.68 | 16.68 |
| 0900 | 16.24 | 16.72 | 16.72 |
| 0930 | 16.24 | 16.75 | 16.75 |
| 1000 | 17.79 | 17.19 | 18.21 |
| 1030 | 18.08 | 18.21 | 19.28 |
| 1100 | 18.06 | 18.43 | 19.48 |
| 1130 | 18.06 | 20.68 | 21.83 |
| 1200 | 18.20 | 22.27 | 23.47 |
| 1230 | 22.71 | 22.27 | 23.47 |
| 1300 | 22.71 | 22.27 | 23.45 |
| 1330 | 18.06 | 20.68 | 21.81 |
| 1400 | 18.06 | 18.43 | 19.47 |
| 1430 | 18.03 | 17.67 | 18.71 |
| 1500 | 16.76 | 17.19 | 18.21 |
| 1530 | 16.76 | 16.75 | 16.75 |
| 1600 | 16.73 | 16.74 | 16.74 |
| 1630 | 16.73 | 16.74 | 16.74 |
| 1700 | 16.73 | 17.19 | 18.25 |
| 1730 | 16.74 | 17.19 | 18.23 |
| 1800 | 16.73 | 19.34 | 20.48 |
| 1830 | 17.79 | 18.43 | 19.50 |
| 1900 | 18.03 | 21.63 | 22.78 |
| 1930 | 18.08 | 21.63 | 22.76 |
| 2000 | 18.06 | 21.63 | 22.74 |
| 2030 | 21.94 | 19.89 | 20.96 |
| 2100 | 22.70 | 19.89 | 20.96 |
| 2130 | 22.70 | 19.89 | 20.96 |
| 2200 | 22.70 | 19.34 | 20.43 |
| 2230 | 20.27 | 16.87 | 17.89 |
| 2300 | 18.06 | 16.87 | 17.81 |
| 2330 | 16.75 | 16.73 | 16.73 |
| 2400 | 16.73 | 16.72 | 16.72 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 13.04.92; Final Prices for Trading on [illegible]

| 1/2 hour period ending | Pool purchase price £/MWh (provisional) | Pool purchase price £/MWh (final) | Pool selling price £/MWh (final) |
|---|---|---|---|
| 0030 | 16.71 | 16.77 | 16.77 |
| 0100 | 16.73 | 17.67 | 19.08 |
| 0130 | 16.66 | 20.44 | 21.95 |
| 0200 | 17.44 | 20.44 | 21.94 |
| 0230 | 17.44 | 19.18 | 20.62 |
| 0300 | 17.44 | 16.81 | 16.81 |
| 0330 | 17.44 | 16.78 | 16.78 |
| 0400 | 17.44 | 16.74 | 16.74 |
| 0430 | 16.81 | 16.74 | 16.74 |
| 0500 | 16.76 | 16.72 | 16.72 |
| 0530 | 16.66 | 16.75 | 16.75 |
| 0600 | 16.81 | 16.75 | 16.75 |
| 0630 | 16.91 | 16.86 | 16.86 |
| 0700 | 16.90 | 18.02 | 19.47 |
| 0730 | 19.34 | 18.17 | 19.60 |
| 0800 | 20.54 | 18.18 | 19.59 |
| 0830 | 27.13 | 22.45 | 24.02 |
| 0900 | 27.66 | 22.54 | 24.12 |
| 0930 | 27.77 | 22.35 | 24.12 |
| 1000 | 27.79 | 22.56 | 24.72 |
| 1030 | 27.58 | 22.54 | 24.12 |
| 1100 | 27.48 | 22.54 | 24.12 |
| 1130 | 27.43 | 22.45 | 24.03 |
| 1200 | 27.33 | 22.45 | 24.03 |
| 1230 | 27.06 | 22.45 | 24.02 |
| 1300 | 22.03 | 22.45 | 24.00 |
| 1330 | 20.78 | 19.08 | 20.52 |
| 1400 | 20.11 | 18.84 | 20.27 |
| 1430 | 18.78 | 18.98 | 18.98 |
| 1500 | 19.77 | 17.06 | 17.06 |
| 1530 | 19.77 | 18.19 | 18.56 |
| 1600 | 19.77 | 18.20 | 19.81 |
| 1630 | 19.79 | 19.08 | 20.52 |
| 1700 | 18.79 | 20.91 | 22.39 |
| 1730 | 19.64 | 22.13 | 23.65 |
| 1800 | 19.63 | 22.13 | 23.56 |
| 1830 | 19.31 | 24.03 | 25.51 |
| 1900 | 19.31 | 24.03 | 25.60 |
| 1930 | 17.04 | 24.03 | 25.55 |
| 2000 | 17.04 | 22.13 | 23.63 |
| 2030 | 24.50 | 19.08 | 20.51 |
| 2100 | 24.50 | 18.30 | 19.71 |
| 2130 | 24.50 | 18.20 | 19.60 |
| 2200 | 22.67 | 16.94 | 16.94 |
| 2230 | 18.92 | 16.87 | 16.87 |
| 2300 | 17.07 | 16.76 | 16.76 |
| 2330 | 16.85 | 16.72 | 16.72 |
| 2400 | 16.77 | 16.72 | 16.72 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

# Sulzer profits fall 23% to SFr119m

By Frances Williams in Geneva

SULZER, the Swiss engineering group, has revealed a 23 per cent fall in last year's net consolidated earnings to SFr119m ($78.8m) from SFr155m in 1990. Turnover was up 4 per cent to SFr6.5bn.

The company blamed the profits fall on "serious losses" at the Sulzer Rüti weaving machinery division. In spite of deteriorating economic conditions, the three divisions concerned with medical technology, plant and building services, and paper technology, hydraulics and turbines ended the year "with very good results". The Winterthur power systems and locomotive works also achieved a good result despite high losses in foundry operations.

Net earnings of the parent company, Sulzer Brothers, fell to SFr48m in 1991 from SFr60m in 1990.

The board proposes to cut the dividend to SFr130 from SFr150 per registered share with a nominal value of SFr1,000, and to SFr13 from SFr15 for registered shares and participation certificates with a par value of SFr100.

In March the company said it was opening its share ledger to foreigners. The annual meeting in May will be asked to approve a 10-for-1 share split of registered shares with a nominal value of SFr1,000.

In January Sulzer said orders for the group had risen 2 per cent in 1991 to SFr6.4bn, but this mainly reflected strong growth for the medical technology division, Sulzermedica. Orders for weaving machinery and foundries fell.

● SMH (Société Suisse de Microélectronique et d'Horlogerie), the Swiss watchmaker best known for the Swatch plastic watch and Omega and Rado luxury brands, boosted net consolidated earnings by 32 per cent to SFr252m in 1991.

Turnover rose 10.9 per cent to SFr2.37bn, while sales of watches and movements jumped 34 per cent.

# Overseas investors examine Mr Major's wares

Last Friday, UK equity and bond markets soared as investors scrambled to take advantage of the Tories' surprise election victory. This morning, overseas investors in particular will be taking a more considered look at the attractions of the UK under Mr John Major.

Their conclusions could have profound consequences. International investors bought well over £15bn worth of gilts and equities last year, compared with £5bn the year before. In addition, their confidence in sterling will largely determine the ability of the new government to cut interest rates.

Convincing overseas investors that sterling will not be devalued within the European exchange rate mechanism is vital if buying is to continue. Losses from holding equities and bonds denominated in a depreciating currency can easily wipe out any gains from the investments themselves.

"It's a very good result," said Mr Rudolf Enz, economist with Union Bank of Switzerland in Zurich. "My impression is that interest rates could come down without endangering the value of the pound. There was a risk premium on UK rates because of fears a Labour victory would lead to a falling currency. Now the uncertainty has gone, the risk premium should be reduced."

Mr Anthony Pearce of Vontobel Asset Management commented there could be scope for half a percentage point cut in interest rates as early as this week, with another half a point cut possible if a strengthened currency permitted Britain to enter the narrow band of the European Monetary System.

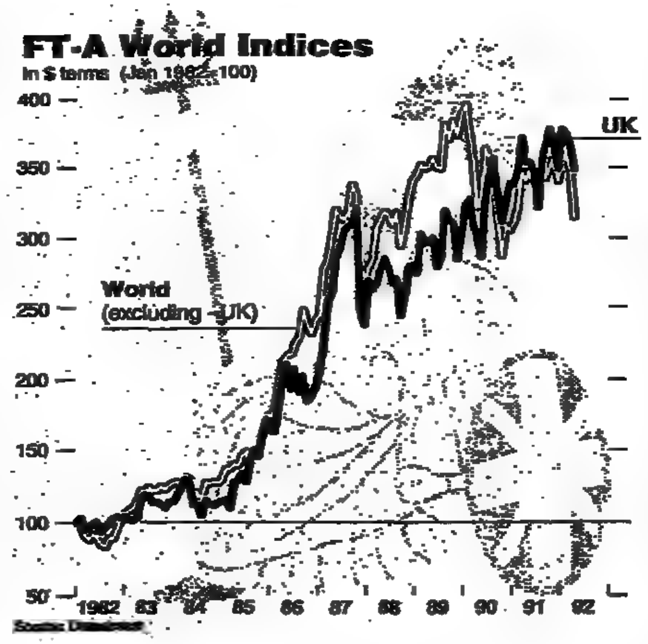
But while restoring confidence in sterling is vital to attracting overseas investment in UK stocks and bonds, international investors remain split about the wider economic outlook. Many remain sceptical that the new government can stimulate either the economy or the stock market in the near term.

"With the Conservatives back in power it is difficult to foresee any major changes," said Mr Philippe Ithurbite, a capital markets economist at Société Générale in Paris. "There is still no sign of economic recovery in the UK and, until this comes, the markets will stay depressed."

Mr Martin Hüfner, chief economist of Bayerische Vereinsbank in Frankfurt, said that it was too early to base investment decisions on the poll result, despite Friday's rises in the stock and gilts markets and by sterling.

"This is only an advance instalment of confidence. It provides a basis for Mr Major to work out policies to benefit the economy and develop more clarity over the party's attitude to Europe," he said.

Equally, Japanese businessmen recognise that the election alone will not change the condition of the UK economy. As the Nihon Keizai Shimbun, the business daily, said in an article this weekend, Mr Major has very little room for manoeuvre in trying to stimulate the economy by managing the country's monetary and fiscal policies.




"Just like Japan and the US, Britain has to pay the price for its 1980s bubble," the newspaper said.

But others are less circumspect and are predicting a wider upturn in economic activity. Mr Harald Schmidlin, European stock market analyst at Commerzbank in Frankfurt, said: "The Conservative victory is like a small economic package. For me, the recession is over."

During the uncertainty ahead of and during the election campaign, UK companies had hesitated with new investments.

Now, demand should expand and the country move out of recession.

He expected the UK stock market to show steady increases, not just because of the election result but because of what it meant for economic confidence. "Every little weakness in the market should be used as a buying opportunity."

Mr John Hickling, who runs a European fund for Fidelity, the US fund manager, said: "It's back to fundamentals in the UK, now that the political situation is settled."

Mr Hickling believes the London market is still inexpensive by international and historical standards. The first glimmers of an economic recovery are apparent, and he thinks UK companies are geared for growth because they have taken the right action to cut costs and improve balance sheets.

Mr Pelle Danielsen, UK equity analyst at Crédit Suisse in Zurich, has been backing defensive quality stocks with a high American exposure. But he thinks the time is right to consider cyclical stocks, including capital goods companies and banks.

"There are some signs the economy is on the turn," he says, adding that a cut in interest rates should at least halt the downward trend in the property market.

"There's a lot of positive sentiment," agrees Vontobel's Mr Pearce, although he sees the UK economy as "still very weak". He also expects the equity market to continue moving up over the next month or so, but says further impetus will come only from real signs of economic recovery.

He is advising clients to stick with international stocks but to look at quality cyclical stocks, for instance in the food sector.

Overseas buying of sterling bonds could be more important to Mr Major's government than overseas buying of equities.

The deterioration of public sector finances in the recession means that the government is looking to borrow £30bn from the bond market.

On Friday alone, the Bank of England showed its eagerness to fund as much as possible while sentiment is good by selling up to £4bn bonds.

However, this pace of issuance will not be maintained. One negative factor is that Japanese investors, some of the biggest buyers of gilts last year, are now preoccupied with the weakness of domestic markets.

Japanese investors invested $74bn in foreign securities last year, with the UK attracting 20 per cent of the total. Much of this cash went into government bonds, which were seen as attractive because of the high yields available compared with other leading markets.

But last year's level of Japanese investment in UK securities was exceptionally high and is unlikely to be maintained.

Mr Haruaki Deguchi, managing director of the London affiliate of Nippon Life, the life insurer, says: "The flow of Japanese investments in securities does not depend on whether Mr Major or Mr Kinnock is in power but on the state of the Tokyo markets."

It remains to be seen whether overseas money from elsewhere can plug the gap. International investors remain nervous about the state of the government's finances and the amount which needs to be borrowed.

*By Simon London in London, Alice Rawsthorn in Paris, Andrew Fisher in Frankfurt, Stefan Wagstyl in Tokyo, Patrick Harverson in New York and Frances Williams in Geneva*

# Groupe Victoire slows fall in earnings

By Alice Rawsthorn in Paris

GROUPE Victoire, the French insurance company owned by Compagnie Financière de Suez, staged a modest recovery from a steep fall in profits during the first half of 1991 to report a slight reduction in net profits of 1.7 per cent to FFr1.81bn ($320m) for the full year.

During the first half of 1991, Victoire experienced a 33 per cent decline in net profits to FFr924m because of a reduction in exceptional gains. The company had benefited from substantial asset sales in the first half of 1990 to fund the acquisition of Colonia, the German insurance group.

The company made a mild recovery in the second half, but did not achieve the goal outlined by Mr Jean Arvis, chairman, when the interim results were published, of equalling or slightly increasing its 1990 profits.

Victoire said yesterday it had been affected by the global downturn in the insurance market during 1991, particularly by the increase in business claims in France and Germany.

The group's turnover rose by 9.7 per cent to FFr64bn in 1991. Net profits before paying minority interests rose by 2.9 per cent to FFr2.2bn. The board proposed raising the dividend from FFr15 in 1990 to FFr19.50 for 1991.

# Hachidai declared insolvent

By Robert Thomson in Tokyo

HACHIDAI Corporation, an apartment and resort developer, has been been declared insolvent by Japanese credit research agencies, following the suspension of bank transactions with the ailing company, which has outstanding debts of Y114bn ($858m).

The collapse of Hachidai, also a dealer in golf club memberships and a hospital proprietor, is the fourth largest in Japan this year, and shows that Japanese banks are not willing to restructure all troubled clients, particularly those with heavy exposure in the property market.

The three largest bankruptcies so far this year have been linked to the Koshin stock speculators group, with the largest failure that of KSG, which had Y142.4bn in outstanding debts. Mr Mitsuhiro Kotani, the Koshin head charged with allegedly manipulating stock prices, was declared bankrupt earlier this week with personal debts of Y122.5bn.

Banks are wary of continuing their relationships with scandal-tainted companies, and Hachidai was linked to a controversy involving the alleged mismanagement of its hospital in December last year.

The company, along with many other mid-sized property developers, has been hurt by the higher interest rates and the fall in apartment and golf club-membership prices, as well by a finance ministry order that banks limit property-related lending.

# AVA unveils Sch168m loss

By Eric Frey in Vienna

AUSTRIAN Airlines (AVA) unveiled a 1991 loss of Sch168m ($14.68m) from flight operations because of a sharp drop in passenger volume during the Gulf War compared Sch59m profit in the previous 12 months.

The carrier was forced to dip into reserves to cover the payment of an unchanged dividend of Sch50 a share.

Mr Anton Heschgl, the chairman, predicted a return to profit this year.

# Thomson wins LTV bid

By Martin Dickson in New York

THOMSON-CSF of France, the state-controlled defence group and Washington-based Carlyle Group have won the war for control of LTV's missile and aerospace businesses with a joint offer worth $450m.

The US bankruptcy court ruled on Friday that the Thomson-Carlyle bid was "the highest and best offer," beating a $385m joint bid from two US defence companies – Martin Marietta and Lockheed.

LTV has been operating under Chapter 11 of the US bankruptcy code since 1986 and requires the court's approval to dispose of any assets.

Thomson and Carlyle, an investment company headed by Mr Frank Carlucci, a former US defence secretary, came into the contest after LTV had agreed to sell the businesses to Vought Corporation, a joint venture between Lockheed and Martin Marietta, for $355m.

Thomson will pay $300m in cash for the missiles business, with Hughes Aircraft, a General Motors unit, buying a 15 per cent stake in that business.

# TWA losses up at $49.3m

By Nikki Tait in New York

TRANS WORLD Airlines, the heavily indebted carrier owned by Mr Carl Icahn, saw an operating loss of $49.3m in February – the first month after it filed for protection under Chapter 11 of the US bankruptcy code.

The loss comes after a $34m deficit in January, and translates into a $46.5m loss at the after-tax level.

Operating revenues in February totalled $259m, after $285.7m in January.

# INTERNATIONAL CAPITAL MARKETS

UK GILTS

## Tory win sparks surge in demand

THE BANK of England has kicked off its gilt funding programme for the 1992-93 financial year at a much healthier rate than it could have envisaged a week ago, thanks to the surge in the market sparked by the surprise Conservative election victory.

A massive rise in gilt prices of nearly 4 points on Friday pushed yields down to levels last seen at the end of February, just before the gloomy period in the gilt market.

The strength of demand enabled the Bank to sell up to £4bn worth of gilts in less than 24 hours, a good start to a financial year in which it will probably have to find buyers for some £30bn worth of the securities to fund Britain's large public sector borrowing requirement.

Including gilt sales already in the pipeline due to Bank actions taken in the 1991-92 financial year, Threadneedle Street has already accounted for about £5bn of the total gilt funding which it will need to arrange during 1992-93.

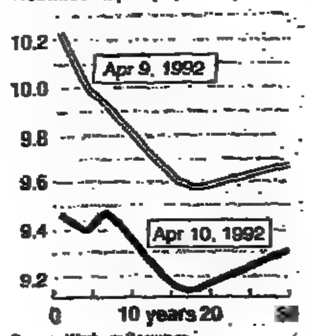
A hint of the pace of funding ahead came with Friday's announcement that the Bank will hold its next gilts auction on April 29. This is expected to be the first of a programme of auctions which could number one a month over the next two years. It is likely to invite bids for £2bn-£3bn of stock, in a range of stocks due between 2015 and 2020.

The auction announcement is the first sign that the Bank intends to issue large amounts of stock at the distant end of the yield curve, where demand is relatively low due to a shortage of available securities. Issuing large volumes of such bonds could push down prices and increase yields, leading to a marked flattening in the currently downward-sloping yield curve. Details will be announced on April 21.

Underlining the extent of the task ahead for the Bank in funding the PSBR will be figures due out on Thursday on the borrowing requirement for March, the final month of the 1991-92 financial year. This is expected to be a huge £6.2bn, pushing up the total PSBR for 1991-92 to nearly £14bn. In the current financial year, the Treasury expects the borrowing requirement to be about £28bn, jumping to £32bn in 1992-93.

**UK gilts yield**

Restated at par (%)




Source: Warburg Securities

An important question for gilt practitioners is whether the surge in demand for gilts last week, which was especially marked from foreign investors, can be sustained in the coming months. Essentially, the Tory election victory confirmed to gilt investors that the chances of a sterling devaluation are extremely unlikely.

At their prices on Friday, gilt yields are roughly 1.6 per centage points above those of comparable German bonds. At the start of last week, as a result of a depressed four-week period in which gilt yields had been pushed up by concern about the election outcome, yields were more than 2 percentage points above those of their German counterparts.

According to projections by UBS Phillips & Drew, the difference between yields for German and UK bonds will continue to decline, to about 1.4 percentage points by mid-1992 and just 1 percentage point by the end of the year.

The strength of sterling last week in the wake of the election victory has sparked speculation that the government may soon cut base rates, held at 10.5 per cent for more than seven months. However, many economists believe the government is more likely to keep interest rates at their current level for some months.

It may instead capitalise on the strength of sterling and the newly found confidence on financial markets to make a decision soon to move sterling to a narrow, 2.25 per cent band in the exchange rate mechanism, a move that could accelerate progress in narrowing the UK and German yield differential.

**Peter Marsh**

JAPANESE BONDS

## Fears eased as Nikkei bounces back

FEARS of a "flight from Tokyo", triggered by the recent downswing in Japanese share prices, were eased by last week's 7 per cent rebound of the Nikkei stock average.

Japanese bond prices, which were previously depressed by the turmoil in the Tokyo stock market and rumours of leading overseas investors pulling funds from Tokyo's financial markets, finally rebounded, ending the week on a positive note.

After an uneventful March, when financial markets waited for the Bank of Japan to cut the official discount rate, the bond market saw volatile movements on low volumes.

Markets tumbled as dealers and investors dismissed the emergency economic stimulus package, announced on March 31, as ineffective. The yield on the 10-year benchmark bond surged by 39 basis points during the week, the largest since the Gulf war in August 1990.

The rate cut at the beginning of this month by 75 basis points to 3.75 per cent, was seen as too late. Some market participants were discouraged, as the size of the cut suggested the Bank would not consider a further cut shortly.

However, the gloom and doom in the market seems to have been overdone. "The sell-off was a bizarre blip," said Mr Robert Feldman of Salomon Brothers in Tokyo. With continued declines in inflation and a slowing economy, Mr Feldman believes simple long-term government bond yields will fall to around 4.85 per cent in the next few months.

With the government's economic emergency package, which includes frontloading of 75 per cent of the government's public works projects for this fiscal year ending March 1993 into the first half of the financial year, and frontloading capital investments of power companies and other public utilities, some Y3,000bn of fiscal spending has been moved up into the first half. As with previous economic stimulus packages, a supplementary public spending package of around Y5,000bn is expected by the middle of the year.

Fiscal stimulus could support the bond market, giving participants confidence in a recovery, allowing companies facing financial difficulties to solve problems through earnings growth, rather than asset liquidation.

Additional bond issues to fund the supplementary budget is expected to be minimal. Mr Marshall Gittler at UBS Phillips & Drew in Tokyo reckons the government would need to issue Y1,700bn in bonds.

However, a long queue of companies waiting to issue straight bond issues will be an adverse factor. With financing through equity-linked issues virtually impossible due to the stock market decline, corporations, which in the next 18 months face redemptions of up to $111bn in equity-linked paper raised through Euro markets, are desperate for funds.

With the government ready to allow companies to issue short-term bonds of under five years, and floating-rate bonds, an increasing number of corporations are expected to dip into the straight bond market.

Some of the over-supply concerns will be alleviated by an expected increase in demand. Institutional investors will avert risks by shifting funds into the bond market.

**Emiko Terazono**

US MONEY AND CREDIT

## Good and bad news bring confusion

GOOD news and bad news suffused the US bond markets in speedy succession last week. The result was confusion.

The best came first. Bond prices raced higher after the Federal Reserve moved to lower interest rates on Thursday morning, by adding reserves to the banking system through a round of overnight system repurchase agreements. The action came when the Fed funds rate was trading below 4 per cent, and was immediately interpreted as a decision by the authorities to lower the rate by 25 basis points. The new target rate stands at 3¾ per cent.

It was a signal which the market had been anticipating for months – only to see its hopes dashed in the past. A week previously, for example, bond prices rallied when two reports revealed US money supply was shrinking and employment expanding slowly at best. Speculation that an easing of monetary policy was in view grew again during the first trading sessions last week. As a result, the yield on the benchmark long bond slipped to 7.88 per cent by Tuesday night.

Wednesday, admittedly, brought a sharp reversal, but this was largely thanks to a $9.75bn auction of seven-year Treasury notes. Seven-year notes have a reputation for poor reception among investors, and this issue proved no exception. By the end of the day, the long bond yield – reflecting weakness in the market overall – had risen to 7.91 per cent.

**US MONEY MARKET RATES (%)**

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 2.50 | 3.75 | 3.63 | 11.00 | 2.00 |
| Three-month Treasury bills | 3.70 | 4.04 | 4.14 | 8.29 | 3.76 |
| Six-month Treasury bills | 3.86 | 4.16 | 4.36 | 7.70 | 3.89 |
| Three-month prime CDs | 4.00 | 4.22 | 4.38 | 7.17 | 4.01 |
| 30-day Commercial Paper | 3.80 | 4.15 | 4.25 | 7.12 | 3.90 |
| 90-day Commercial Paper | 3.80 | 4.17 | 4.30 | 7.02 | 3.92 |

**US BOND PRICES AND YIELDS (%)**

| | Last Fri. | Change on wk | Yield | 1 week ago | 4 wk. ago |
|---|---|---|---|---|---|
| Seven-year Treasury | [illegible] | [illegible] | 7.02 | 7.08 | 7.37 |
| 10-year Treasury | [illegible] | [illegible] | 7.34 | 7.39 | 7.70 |
| 30-year Treasury | [illegible] | [illegible] | [illegible] | 7.87 | 8.06 |

Source: Salomon Bros (estimates)

Money supply: In the week ended March 30, M1 fell by $2.8bn to $935.5bn. M2 fell by $7.1bn to $3,461.4bn.

But Thursday, with Fed funds easing, was another story, and the yield on the 30-year bond quickly returned below the 7.9 per cent mark. Yet, even then, the response at the long end of the market was far less pronounced than among shorter-term securities – a steepening of the yield curve which underlined the markets' puzzlement over the timing and size of the interest rate cut.

The confusion is understandable. On the one hand, those pundits who believe the economy needs real stimulus to kick-start it, are convinced that the authorities have sat on the sidelines for too long. The latest move, in their view, scarcely remedies the situation: a small easing of the Fed funds rate, for example, is unlikely to generate any change in commercial banks' lending rates.

"The Fed's move this week was unexpected and hard to justify in terms of the particulars for its timing – it was about two months late," commented Mr Robert Brusca at Nikko Securities. "It is hard to argue that the move damaged anything . . . [but] the Fed must learn to link its moves to events."

By contrast, those economists who are more sanguine about the economic prospects, were equally baffled. "Why so soon?" questioned pundits at Smith Barney. "March employment growth was disappointing but total hours worked held up reasonably well, and private sector surveys suggest some increase in hiring activity over the months ahead. Private surveys of the March retail sales situation also were downtrodden, but the chain store sales data for March didn't seem as bad; it was essentially a mixed bag."

Twenty-four hours later, when the March consumer price inflation data arrived, the situation was muddied further. The consumer price index report showed a 0.5 per cent rise, significantly higher than the 0.3 per cent rise which the experts were predicting. The so-called "core" rate for March – which excludes energy and food prices – rose 0.5 per cent.

The bond markets' knee-jerk reaction was to plunge by more than half a point, before deciding that – given all the other economic news recently – this was really not so bad. By the end of the week, the long bond yield had rallied sufficiently to stand at 7.88 per cent, from the 7.87 per cent a week earlier.

Next week's smattering of statistics will include March retail sales, projected to be flat to modestly lower (partly because of Easter's timing), and industrial production for the same month. The latter is forecast to show a very small rise – perhaps 0.2 per cent, after a 0.6 per cent gain in February – with the capacity utilisation rate unchanged.

No doubt, the figures will be examined from every angle. Whether they clarify the meaning of the Fed's latest move, and hence give the market a better sense of whether further easing can be expected, is another matter altogether.

**Nikki Tait**

**FT/ISMA INTERNATIONAL BOND SERVICE**

[illegible]

INTERNATIONAL BONDS

# Investors become sceptical with primary market

THE international bond market went through another torrid week, with a only a handful of new issues launched into the primary market and most failing to generate sustained buying interest.

The simple explanation is that investors are facing deep uncertainty about the prospects for bond yields and are unwilling to commit new funds.

However, syndicate officials at leading underwriting firms are concerned that institutional investors are alse losing confidence in the ability of the primary Eurobond market to deliver paper at fair value.

A striking feature of the primary market over the past two months is the number of new issues which have traded below issue price. Similarly, the yield spread of new issues over government bonds – the benchmark measure of value for non-government paper – has widened in the days after launch.

A rational investor will only buy a new issue if it believes that the primary market price is solid.

The subject is emotive. Many of the changes in new issue procedure introduced since the late 1980s were designed to restore the confidence of investment institutions in the primary Eurobond market.

For example, the practice of offering bonds to investors at a fixed price during the initial stages of syndication was introduced to prevent underwriters from "dumping" bonds at a discount and depressing the price of new issues.

Some syndicate officials now argue that the fixed price re-offer has been abused. They argue that too many deals are being re-offered to investors at a price which is too aggressive and can not be sustained. Firms are bidding for new issue mandates at impossibly tight yield spreads in order to win market share and have abandoned the "discipline" sometimes evident last year.

But recently even issues which were considered well priced and well handled by rival firms at the time of launch have had a tough ride.

For example, Norway's $1bn five-year issue was launched on March 31 at a yield spread of 25 basis points over US Treasury paper – considered fair by most participants in the deal. By the end of last week the yield spread had widened to around 29 basis points.

Even borrowers willing to compromise have suffered at the hands of sceptical investors. On Thursday, Finland launched a cautious $500m five-year issue lead managed by Morgan Stanley International. Many syndicate officials were expecting a $1bn deal of up to 10-years maturity. The issue was priced at a yield spread of 45 basis points, rather than 40-43 basis point spread initially favoured by the borrower.

At the close of trading on Friday, the deal was trading at a yield spread of around 50 basis points.

Such examples pose the question: is aggressive pricing driving investors from the primary market, or is the unwillingness of investors to commit funds making it very difficult to price new issues correctly?

In defence of new issue underwriters, several factors have combined to make primary market pricing more difficult than usual this year. In particular, secondary market yields have become a less reliable guide to the level at which new issues can be sold.

There are several reasons for the dislocation of primary and secondary market yields. Following the fall in US interest rates and bond yields last year, many outstanding bond issues are trading well above face value in the secondary market. Investors are generally unwilling to buy paper trading above par, knowing that they will take a capital loss when the bonds mature.

These bonds appear to offer a generous return. For example, European Investment Bank Eurodollar bonds maturing April 1997 are trading below par on a yield spread of around 13 basis points over Treasuries. Yet EIB bonds maturing November 1997 trade on a spread of 45 basis points, primarily because the issue is old and trading at about 108 per cent of face value.

Equally, a number of liquid bond issues launched earlier this year – potential benchmarks against which other new issues could be measured – were never fully sold to investors and remain on the books of the lead manager. Again, this distorts the yield at which the bonds are quoted in the secondary market.

"It is cheaper for firms to hold unsold inventory rather than mark down prices to offload the bonds," commented one new issue manager. "Secondary market spreads are not sustainable at current levels but no-one wants to admit it."

In a more liquid market, secondary market yields would adjust to reflect institutional investors' assessment of fair value rather than levels dictated by market-makers. However, secondary market trading volumes are currently very low. There are few buyers, but also very few sellers.

This uncertainty may continue until secondary market yields adjust to match investors' current perceptions of fair value and intermediaries sell inventories of unsold bonds. Until then, issues will probably continue to be mis-priced and levels of inventory held by intermediaries will swell.

"You can't make a science out of pricing a new issue. There are so many dynamics at work within each deal, secondary market levels are just one factor," said Mr Jim Pelgrift, executive director and syndicate manager at Morgan Stanley.

**Simon London**

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Nankai Elec. Railway(b)♦† | 300 | 1996 | 4 | 3.375 | 100.00 | Daiwa Europe | 3.375 |
| Export Dev. Corp† | 400 | 2002 | 10 | 7.75 | 99.665 | CSFB | 7.799 |
| Telefon L.M.Ericsson† | 150 | 1997 | 5 | 7.75 | 99.95 | CSFB | 7.762 |
| Comp.Vale do Rio Doce(e)† | 150 | 1995 | 3 | 9 | 99.871 | Chase Inv. Bank | 9.050 |
| Jardine Strategic(o)§† | 250 | (o) | - | 7.5 | (o) | Jardine Strategic | - |
| BBL (Cayman)(q)★★‡† | 75 | 1997 | 5 | (q) | 100 | Fuji Intl. Finance | - |
| Banco Real(r)† | 70 | 1994 | 2 | 9.50 | 99.10 | ABN Amro | 10.258 |
| Rep. of Finland† | 500 | 1997 | 5 | 7.25 | 99.675 | Morgan Stanley Intl. | 7.330 |
| CPC(w)‡† | 75 | 1997 | 5 | (w) | 100 | ABN Amro Far East | - |
| **STERLING** | | | | | | | |
| Tops Estates(i)† | 25 | (i) | (i) | 10.25 | 99.118 | Baring Bros. | - |
| BAA(B)† | 150 | 2018 | 23.88 | 11.75 | 110.728 | BZW | 10.512 |
| Cable & Wire. Intl Fin(C)† | 60 | 2002 | 9.93 | 10.375 | 101.625 | Samuel Montagu | 10.101 |
| **ECUs** | | | | | | | |
| European Community(j)† | 185 | 1998 | 6 | 9.25 | 101.836 | BNP Capital Mkts. | 8.830 |
| World Bank(s)‡† | 200 | 2002 | 10 | (s) | 100 | UBS Phil.& Drew | - |
| Eurofima(A)† | 40 | 1999 | 7.5 | 8.625 | 99.50 | Swiss Bk Corp | 8.704 |
| **CANADIAN DOLLARS** | | | | | | | |
| Prov.of Brit.Colombia† | 300 | 1997 | 5 | 9.25 | 101.465 | Swiss Bank Corp. | 8.870 |
| Canadian Nat. Railways† | 150 | 1999 | 7 | 9.625 | 100.945 | Scotiamcleod Inc. | 9.434 |
| Toyota Credit Canada† | 125 | 1997 | 5 | 9 | 101.125 | Wood Gundy | 8.713 |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| Com. Bk of Aust.(a)† | 100 | 1996 | 4 | 9.75 | 101.75 | CBA | 9.207 |
| State Bk of S.Aust.(f)† | 25 | 1998 | 5.75 | 10 | 100.375 | Hambros Bk | 9.896 |
| **DANISH KRONE** | | | | | | | |
| Fin.for Danish Inds.(k)† | 200 | 1997 | 5 | 8.875 | 100.125 | Kredietbank (Brus) | 8.829 |
| **FRENCH FRANCS** | | | | | | | |
| Osiris (No.1)(t)‡† | 584.1 | 1997 | 5 | (t) | 100 | Paribas Cap.Mkts.Grp. | - |
| Credit Foncier(x)♦ | 400 | 2002 | 10 | 4 | 99.97 | J.P.Morgan | 4.003 |
| SNCF(y)† | 3bn | 2004 | 12 | 8.8 | 97.645 | CCF/Caisse Nationale | 8.924 |
| **YEN** | | | | | | | |
| Furukawa Electric Co† | 20bn | 1996 | 4.25 | 6 | 101.70 | Yamaichi Intl. | 5.533 |
| EIB(z)‡† | 35bn | 2006 | 15 | (z) | 99.90 | LTCB Intl. | - |

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **SWISS FRANCS** | | | | | | | |
| Hokkaido Gas Co.(c)♦★★† | 50 | 1996 | - | 4.00 | 100.00 | Yamaichi Bk (Switz.) | 4.000 |
| Higashi Nihon House(d)★★§† | 90 | 1998 | - | 4.625 | 100.00 | Banque Kankaku | 4.678 |
| City of Copenhagen★★† | 100 | 1997 | - | 7 | 101.25 | Bank Leu | 6.698 |
| Tokatsu Food(l)§★★ | 60 | 1996 | - | 5 | 100 | Nw.Japan Bk (Schweitz) | 5.059 |
| SNT Corp(m)♦★★ | 35 | 1996 | - | 4 | 100 | Coutts & Co. | 4.000 |
| Bodysonic(n)§★★ | 25 | 1998 | - | 5 | 100 | Swiss Bank Corp | 5.063 |
| Nissan Cap. of America★★† | 20 | 1994 | - | 8 | 101.50 | IBJ (Schweitz) | 7.168 |
| **D-MARKS** | | | | | | | |
| Shinko Wire Co.(a)♦† | 80 | 1996 | 4 | 5.125 | 100.00 | Yamaichi Bk (Deutsche) | 5.125 |
| Deut.Fin. Netherlands(g)† | 500 | 2002 | 10 | 8.125 | 102.30 | Deutsche Bank | 7.786 |
| BP America(u)† | 300 | 2002 | 10 | 8.125 | 102.30 | CSFB Effectenbank | 7.774 |
| Bayer.Vereinsbk.Fin.(v)† | 300 | 2002 | 10 | 8.125 | 102 | Bayerische Vereinsbk. | 7.829 |
| Indl.Dev.Co.of S.Africa★★† | 60 | 1997 | 5 | 10 | 100 | Commerzbank | 10.000 |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Primary Ind.Bk.Australia(h)† | 500 | 1999 | 7 | 9.125 | 101.75 | Credit Europeen | 8.780 |
| Nordbanken(p)† | 1bn | 2000 | 8 | 9.25 | 101.95 | Kredietbank | 8.889 |
| Accor★★† | 800 | 1997 | 5 | 9.125 | 102 | Banque Paribas | 8.616 |
| Banque CGER France(h)† | 1bn | 2000 | 8 | 9 | 102.20 | Banque UCL | 8.608 |

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate note. †Final terms. a) Exercise premium fixed at 2.51%. Non-callable. b) Exercise premium fixed at 2.57%. Non-callable. c) Exercise premium fixed at 2.54%. Non-callable. d) Conversion premium fixed at 1.10%. Put option 30/04/94 at 109.375. Coupon payable semi-annually. e) Coupon payable semi-annually. f) Fungible with existing A$200 deal 40 days after the 05/05/92 payment date. Fees undisclosed. g) Subordinated issue. Non-callable h) Subordinated issue. Non-callable. i) Tranche of existing £30m First Mortgage Debenture 2011-2016. Fully fungible from 2/7/92. Fees undisclosed. j) Fungible with existing Ecu 835m bond. k) Fungible with existing DKr250m deal. l) Put option 31/3/94 at 108.25% to yield 9.034%. Coupon payable semi-annually. m) Callable on 23/4/92 at 101%, declining ½% semi-annually. n) Put option 31/3/94 at 108.25% to yield 9.034%. Coupon payable semi-annually. o) Conversion premium fixed at 17.60%. An issue of undated convertible preference shares, paying a fixed dividend of 7.5% Each $800.00 share launched at a price of $1000.00. Non-callable for first five years. p) Amount increased from FLux800m. Subordinated issue. Non-callable. q) Coupon pays 42.5bp above 6-month Libor and payable semi-annually Non-callable. r) Coupon payable semi-annually. Non-callable. s) Coupon pays 62.5bp below 3-month Libor. Callable at par from April 1997. t) Coupon pays 25bp above 3-month Pibor. u) Amount increased from DM200m. v) Subordinated issue. Non-callable. w) Full name of borrower: Cia Petroquimica Camacari. Coupon pays 75bp above 6-month Libor and payable semi-annually. Fees undisclosed. Non-callable. x) Fungible with existing FFr400m deal. y) Issue comprises FFr1.5bn of international bonds and FFr1.5bn of domestic bonds. Non-callable. z) Callable at par on each payment date from May 1993 and a once only put option May 2000 at par. Coupon pays 50bp below 6-month Libor. A) Fungible with existing Ecu250m deal. Fees undisclosed. Non-callable. B) Fungible with existing £150m deal. Non-callable. Coupon payable semi-annually. C) Fungible with existing £150m deal. Non-callable.

# Technical analysis passes the bard test

By Anthony Harris

POSSIBLY the worst forecast I ever made was that Japanese equities might fall as much as 60 per cent from their peak. Not so bad, you may think? Only if you ignore the timing. This was in a speech to the American business economists in September 1987. How is it possible to get the timing so wrong, yet the scale so nearly right? Amateur chartism, that's how.

Once the current euphoria is over, the great market debate of 1992 will resume: is this a stale bull market, or is it just tensing its muscles for a new rush? This column is about the kind of logic which is appropriate in forming your own view. Should it be based on the economic future – the fundamentals – or simply on a study of market behaviour, like my bad guess in 1987? And if behaviour is the best guide, should we try to understand markets, or simply to forecast them?

Technical analysis, to give chartists the term they prefer, is a bit like medieval science. It describes things in great detail, but does not attempt to to explain them. Market theoreticians find this impossibly unsatisfactory, because it gives them no evidence to support their doctrines. Despite this hostile silence, the practitioners soldier on, because their methods often work rather well.

Shakespeare knew why. "There are more things in Heaven and earth, Horatio, than are dreamt of in your philosophy." Forecasting can often be done with a ruler, and it is essential to theorise if we are ever to understand things. But there are times when the trends, both in the markets and in the real world, develop a kink.

Bring on the antagonists. In the bear corner, the Norwich Union, which has become identified with the view that since real interest rates are so high, current equity yields look unattractive compared with bonds. In the bull corner Goldman Sachs, which has just published a short paper by Sushil Wadhwani, a financial economist at the London School of Economics, rubbishing this view.

The trouble with the Norwich Union analysis is that there is a great hole in it. It does not suggest why real interest rates are so high and therefore does say whether they are likely to stay high, or revert to a long run norm. The first question is possibly unanswerable – there seems to be no accepted explanation for the present peak; but the second is absolutely crucial.

If real rates are being forced up by a shortage of capital, then the return on capital ought to rise. Further, as Wadhwani points out, if the market expects equity returns to rise, it will value bonds *less* highly. Round One to Goldman. But if real rates simply reflect a sluggish response by the central banks and the markets to falling inflation, then they will come down, to the profit of bondholders; and if a world recession is already brewing, they may have to come down a long way – a muted replay of Tokyo. Possible KO to East Anglia.

Turn to the Goldman case. It tries to apply to markets the same methods of statistical fit that produced all the dud economic forecasts last year. This implies a much bigger black hole than the Norwich analysis, for it leaves out market cycles. Wadhwani tries to measure the "revealed preferences" of investors, without mentioning that these preferences change rather drastically at times. His methods, which rely on logical stability over time, rule out the crowd psychology aspect – another thing that Shakespeare understood.

Norwich is Hamlet without the quotes; but Goldman leaves out the Prince. Technical KO.

# WORLD STOCK MARKETS

## CANADA

TORONTO

4:00 pm prices April 10

Quotations in cents unless marked $

MONTREAL

4:00 pm prices April 10

## INDICES

### NEW YORK

| DOW JONES | Apr 10 | Apr 9 | Apr 8 | Apr 7 | 1992 HIGH | 1992 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ϕIndustrials | 3255.37 | 3224.96 | 3181.35 | 3213.55 | 3290.25 (3/3) | 3172.41 (2/1) | 3290.25 (3/3/92) | 41.22 (2/7/32) |
| Home Bonds | 99.29 | 99.05 | 98.97 | 99.06 | 99.81 (6/2) | 98.41 (20/3) | 99.81 (6/2/92) | 54.99 (1/10/81) |
| Transport | 1347.35 | 1338.56 | 1301.57 | 1312.22 | 1467.68 (20/2) | 1301.57 (8/4) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 204.12 | 203.12 | 200.74 | 202.30 | 225.59 (3/1) | 200.74 (8/4) | 236.23 (2/1/90) | 10.50 (8/4/32) |

ϕDay's High 3280.86 (3245.08) Low 3227.64 (3171.06)

### STANDARD AND POOR'S

| | Apr 10 | Apr 9 | Apr 8 | Apr 7 | 1992 HIGH | 1992 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 404.29 | 400.64 | 394.50 | 398.06 | 420.77 (15/1) | 394.50 (8/4) | 420.77 (15/1/92) | 4.40 (1/6/32) |
| Industrials | 482.02 | 477.54 | 470.91 | 474.78 | 499.27 (15/1) | 470.91 (8/4) | 499.27 (15/1/92) | 3.62 (21/6/32) |
| Financial | 33.56 | 33.37 | 32.40 | 32.88 | 35.14 (15/1) | 32.40 (8/4) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 223.27 | 221.18 | 217.92 | 220.00 | 231.85 (15/1) | 217.92 (8/4) | 231.85 (15/1/92) | 4.46 (25/4/42) |
| Amex Mkt. Value | 388.01 | 385.94 | 380.90 | 385.38 | 418.99 (12/2) | 380.90 (8/4) | 418.99 (12/2/92) | 29.31 (9/12/72) |
| NASDAQ Composite | 584.24 | 586.75 | 573.68 | 581.61 | 644.92 (12/2) | 573.68 (8/4) | 644.92 (12/2/92) | 54.87 (31/10/72) |

| | Apr 3 | Mar 27 | Mar 20 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 2.85 | 2.86 | 2.80 | 3.38 |

| | Apr 8 | Apr 1 | Mar 25 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.70 | 2.64 | 2.62 | 2.88 |
| S & P Indl. P/E ratio | 27.95 | 28.56 | 28.78 | 17.95 |

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Digital Equip | 3,497,500 | 45⅛ | - 2⅛ |
| First Data | 3,215,200 | 22⅛ | ..... |
| RJR Nabisco | 2,630,500 | 9⅛ | + ⅛ |
| Limited | 2,466,200 | 23⅞ | - ⅛ |
| Telefonos | 2,313,000 | 56⅛ | + 1⅛ |
| Hewlett-Pack | 2,268,300 | 75 | - 3⅛ |
| Glaxo | 2,212,000 | 27⅞ | + ⅞ |
| IBM | 2,052,600 | 86 | + ⅞ |
| Pepsico | 1,908,300 | 35⅛ | + ⅛ |
| Am T & T | 1,484,000 | 41⅞ | + ⅛ |

### TRADING ACTIVITY

| † Volume (Millions) | Apr 10 | Apr 9 | Apr 8 |
|---|---|---|---|
| New York SE | 199.450 | 231.340 | 249.210 |
| Amex | 14.290 | 15.425 | 15.959 |
| NASDAQ | (u) | 198.753 | 243.470 |
| NYSE | | | |
| Issues Traded | 2,222 | 2,222 | 2,223 |
| Rises | 1,201 | 1,271 | 412 |
| Falls | 523 | 494 | 1,394 |
| Unchanged | 498 | 457 | 417 |
| New Highs | 24 | 12 | 10 |
| New Lows | 24 | 37 | 92 |

### CANADA

| TORONTO | Apr 10 | Apr 9 | Apr 8 | Apr 7 | 1992 HIGH | 1992 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2879.15 | 2864.47 | 2828.26 | 2841.65 | 3238.87 (16/1) | 2828.26 (8/4) |
| Composite | 3376.64 | 3349.03 | 3318.10 | 3336.61 | 3666.00 (16/1) | 3318.10 (8/4) |
| MONTREAL Portfolio | 1764.66 | 1747.21 | 1727.04 | 1728.21 | 1937.59 (16/1) | 1727.04 (8/4) |

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

& Subject to official recalculation.
Base values of all indices are 100 except Austria Traded, BEL20 ... and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 ... Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

Friday 12 April 1992

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Hitachi | 10.7m | 810 | +38 | Nippon Carbon | 5.2m | 530 | +60 |
| Toshiba | 8.6m | 695 | +45 | NKK | 4.6m | 272 | +22 |
| Nippon Steel | 6.1m | 255 | +15 | Suzuki Motor | 4.4m | 728 | +69 |
| Clarion | 6.7m | 620 | +97 | Nomura Secur | 4.2m | 1,290 | +100 |
| NEC | 5.4m | 1,000 | +59 | Sharp | 4.2m | 1,300 | +90 |

## AUSTRIA

## BELGIUM/LUXEMBOURG

## DENMARK

## FINLAND

## FRANCE

## FRANCE (continued)

## GERMANY

## GERMANY (continued)

## ITALY

## NETHERLANDS

## NORWAY

## SPAIN

## SWEDEN

## SWEDEN (continued)

## SWITZERLAND

## SOUTH AFRICA

## JAPAN

## AUSTRALIA

## AUSTRALIA (continued)

## HONG KONG

## MALAYSIA

## SINGAPORE

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

## AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| **Stewart Ivory Unit Tst Mgrs Ltd (1200)H** | | | | | | |
| 45 Charlotte Sq, Edinburgh 031-226 3271 | | | | | | |
| American ♥ | 5 | 282 0 | 282 0 | 300 3 | 0 77 | 41410 |
| (Accum Units) ♥ | 5 | 331 9 | 331 9 | 354 0 | 0 77 | 41415 |
| British | 5 | 790 7 | 808 6 | 855 5 | 5 85 | 41416 |
| (Accum Units) | 5 | 1326 0 | 1356 0 | 1434 7 | 5 85 | 41417 |
| European | 5 | 337 9 | 337 9 | 358 8 | 1 40 | 41419 |
| (Accum Units) | 5 | 366 3 | 366 3 | 388 9 | 1 40 | 41419 |
| Japan | 5 | 90 47 | 90 47 | 96 32 | - | 41420 |
| (Accum Units) | 5 | 91 29 | 91 19 | 97 09 | - | 41421 |
| New Pacific | 5 | 191 9 | 191 9 | 204 9 | 1 68 | 46365 |
| (Accum Units) | 5 | 197 1 | 197 1 | 210 3 | 1 68 | 47954 |
| PEP Apr 8 | 5 | 141 6 | 143 0 | 151 3 | 4 05 | 47588 |
| Mngd Equity | 5 | 123 6 | 125 0 | 132 2 | 2 81 | 47586 |
| Mngd Equity Acc | 5 | 131 1 | 132 6 | 140 3 | 2 81 | 40556 |
| Mngd Cash | 0 | 95 55 | 95 55 | 95 55 | 9 63 | 47585 |
| (Accum Units) | 0 | 120 01 | 120 01 | 120 01 | 9 63 | 40267 |
| Majority Stlg | 1 | 99 61 | 99 61 | 100 61 | 9 48 | 42703 |
| Majority Stlg Acc | 1 | 110 47 | 110 47 | 111 58 | 9 48 | 46699 |
| **Storebrand Intl Inv Mngrs Ltd (1200)F** | | | | | | |
| Admin 5 Rayleigh Rd Hutton Brentwood Essex | | | | | | |
| Enquiries 0277 227300 Dealing 0277 261010 | | | | | | |
| International Mar 13 | 0 | 50 61 | 50 61 | 51 01 | 2 64 | 46406 |
| **Sun Alliance Unit Tst Mngmt Ltd (1200)F** | | | | | | |
| St Mark's Court, Horsham 0403 232323 | | | | | | |
| Equity | 6 | 611 3 | 611 3 | 653 8 | 3 09 | 41423 |
| North America | 6 | 82 50 | 82 50 | 88 24 | 0 40 | 41424 |
| Far East | 6 | 82 09 | 82 09 | 87 80 | 0 65 | 41425 |
| W'wide Bond | 6 | 47 28 | 47 28 | 50 30 | 5 77 | 41426 |
| European | 6 | 68 66 | 68 66 | 73 43 | 1 51 | 41429 |
| Equity Income | 6 | 66 84 | 66 84 | 71 49 | 5 82 | 41430 |
| Portfolio | 6 | 57 59 | 57 59 | 61 59 | 2 32 | 41431 |
| Broker Trusts | | | | | | |
| Worldwide Growth | 6 | 47 00 | 47.00 | 50 00 | 2 23 | 47726 |
| **Sun Life of Canada Unit Mgrs Ltd (1000)H** | | | | | | |
| Basingview Basingstoke Hants 0800 525725 | | | | | | |
| American Growth | 6 | 26 40 | 26 40 | 28 24 | 0 60 | 47799 |
| Managed Assets | 6 | 101 25 | 101 67 | 108 96 | 4 35 | 44067 |
| UK Income | 6 | 30 96 | 31 35 | 33 54 | 5 19 | 41432 |
| UK Growth | 6 | 31 18 | 31 51 | 33 71 | 1 08 | 41433 |
| Worldwide Growth | 6 | 23 43 | 23 43 | 25 06 | 1 00 | 41434 |
| **Sun Life Trust Mngmt Ltd (1200)H** | | | | | | |
| 101 Cannon St, London EC4N 5AD | | | | | | |
| Admin & Enq 071-606 4044 Dealing 071-606 6010 | | | | | | |
| Master Portfolio | 6¼ | 32 54 | 32 54 | 34 80 | 1 81 | 41435 |
| | | 42 85 | 42 85 | 45 81 | 0 00 | 41436 |

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **M & G Securities Ltd** | | | | |
| Charibond Apr 9 | 102.54 | | 10 52 | 40983 |
| (Accum Units) | 620 68 | | 10 52 | 40984 |
| NAACIF Apr 7 | 39 50 | | 9 81 | 46917 |
| **Morgan Grenfell Investment Funds Ltd** | | | | |
| Exempt Funds | | | | |
| UK Equity Apr 7 | 123 4 | 132 3 | 2 05 | 46925 |
| UK Small Co's Apr 7 | 484 3 | 533 4 | 3 76 | 46926 |
| Fixed Interest Apr 7 | 110 6 | 116 7 | 8 58 | 46920 |
| US Small Co Apr 7 | 167 0 | 178 6 | 0.00 | 46927 |
| Managed Apr 7 | 109 3 | 112 7 | 3 49 | 46924 |
| Intl Bond Apr 7 | 117 9 | 124 3 | 10.32 | 47790 |
| Japan Apr 7 | 58.62 | 62 51 | 4 69 | 47877 |
| European Apr 7 | 93 85 | 100 30 | 1 69 | 47876 |
| Nth American Apr 7 | 119 9 | 129 0 | 1 23 | 47878 |
| **Murray Johnstone UT Mngmt** | | | | |
| Murray Exempt Funds | | | | |
| Amer Expt Apr 8 | 55 88 | 58 04 | 1.77 | 41064 |
| Euro Expt Apr 8 | 54 73 | 57 47 | 2 41 | 41065 |
| Fixed Int Ex Apr 8 | 46.62 | 47 79 | 9 11 | 46594 |
| Japan Expt Apr 8 | 35 57 | 37.00 | 0 90 | 41066 |
| Managed Ex Apr 9 | 43 07 | 44 00 | 4 43 | 41067 |
| SE Asia Expt Apr 8 | 75 35 | 79 12 | 2.51 | 41068 |
| Sm Cos Expt Apr 8 | 34 02 | 35.73 | 3.47 | 41069 |
| UK Eqty Ex Apr 8 | 40 39 | 42 41 | 4 22 | 41070 |
| **Phillips & Drew Fund Management Ltd** | | | | |
| Small Co's Mar 4 | 656 40 | 698 79 | 4 04 | 41138 |
| Do Accum | 761 43 | 810 61 | 4 04 | 41139 |
| Int Expt Apr 9 | 184.11 | 188 13 | 1.65 | 41140 |
| UK Index Mar 4 | 1139 99 | 1150 06 | 4 53 | 46945 |
| Do Accum | 1258 32 | 1273 91 | 4 53 | 46946 |
| Convertible Apr 6 | 91 04 | 93 97 | 8 64 | 46938 |
| World ex UK Index Apr 7 | 743 12 | 751 80 | 2 18 | 47887 |
| Do Accum | 743 12 | 751 80 | 2 18 | 47888 |
| Japan Index Apr 7 | 438 73 | 445 41 | 0 88 | 47881 |
| Do Accum | 440 47 | 447 18 | 0 88 | 47882 |
| USA Index Apr 7 | 1052 44 | 1059 56 | 2 90 | 47885 |
| Do Accum | 1097 03 | 1104 44 | 2.90 | 47886 |
| European UK Index Apr 7 | 930 31 | 944 64 | 3 35 | 47879 |
| Do Accum | 967 48 | 982 38 | 3 35 | 47880 |
| Pacific ex Jap Index Apr 7 | 1033 43 | 1061 43 | 3 56 | 47883 |
| Do Accum | 1098 | 1128 22 | 3.56 | 47884 |
| Managed Exempt Apr 9 | 104 61 | 106 64 | 5 18 | 40338 |
| American Exempt Apr 9 | 132 72 | 135 33 | 3 12 | 40574 |
| European Exempt Apr 9 | 123 58 | 126 02 | 2 82 | 40628 |
| Japan Exempt Apr 9 | 88 91 | 90.85 | 0.49 | 40635 |

## INSURANCES

## OTHER UK UNIT TRUSTS

Continued on next page

# FT MANAGED FUNDS SERVICE

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| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Norwich Union Life Insurance Soc.–Contd.** | | | | |
| Pensioneeder* & Unit-Linked Plan* | | | | |
| Mixed Fund | 424.4 | 446.7 | – | 43233 |
| Ordinary Share Fund | 651.5 | 664.7 | – | 43229 |
| International Fund | 164.5 | 173.2 | – | 43230 |
| Property Fund | 258.9 | 272.5 | – | [illegible] |
| [illegible] Interest Fund | 389.2 | 409.7 | – | 43227 |
| Index-Linked Sec Fund | 187.6 | 197.5 | – | 43228 |
| Deposit Fund | 279.5 | 294.2 | – | 43232 |
| Norwich Units Mar 14 | 1048.63 | | – | 43234 |
| *Prices as at April 7 | | | | |
| Jersey Investment Plan | | | | |
| With Profits Fund | 123.40 | 129.90 | – | 40525 |
| Intl Equity Fund | 90.62 | 95.39 | – | 40438 |
| Intl Bond Fund | 120.10 | 126.42 | – | 40349 |
| **Norwich Union Pensions Management Ltd** | | | | |
| Surrey Street, Norwich, NR1 3NG | | 0603 683595 | | |
| Group Pooled Pensions | | | | |
| Balanced Managed Fd | 306.43 | 311.89 | – | 44391 |
| Growth Managed Fd | 101.03 | 102.94 | – | 44395 |
| Sentinel Managed Fd | 101.44 | 102.77 | – | 44399 |
| Prices as at April 8 | | | | |
| **Pearl Assurance (Unit Funds) Ltd** | | | | |
| Thorpe Wood, Peterborough PE3 6SA | | 0733 63212 | | |
| Prop. Dist. (Gross) | 134.2 | 141.1 | – | 43235 |
| Prop. Acc. (Gross) | 295.6 | [illegible] | – | 43236 |
| Equity (Gross) | [illegible] | 914.1 | – | 43237 |
| [illegible] (Gross) | 604.2 | 636.0 | – | 43238 |
| Prop. Acc. (Net) | 122.0 | 128.4 | – | 43239 |
| Equity (Net) | 201.4 | 212.0 | – | 43240 |
| Managed (Net) | 186.3 | [illegible] | – | 43241 |
| International (Net) | 163.5 | [illegible] | – | 43242 |
| Gilt & Fxd Interest | 134.3 | 141.4 | – | 43243 |
| Money Fund | 137.8 | 145.1 | – | 43244 |
| Mixed Fund (Cap) | 112.5 | 118.5 | – | 46550 |
| Mixed Fund (Acc) | 115.9 | 122.0 | – | 46548 |
| Pearl Assurance (Unit Linked Pens) Ltd | | | | |
| Ret. Man (Series 1) | 660.8 | 695.6 | – | 43245 |
| Ret. Man (Series 2) | 224.1 | 235.9 | – | 43246 |
| Ret Cash | 193.0 | 203.2 | – | 43247 |
| Pens Mixed Fd (Cap) | 124.7 | 131.3 | – | 46559 |
| Pens Mixed Fd (Acc) | 128.6 | 135.4 | – | 46558 |
| Pens Stg Fd (Cap) | [illegible] | 107.5 | – | 46561 |
| Pens Stg Fd (Acc) | 105.2 | [illegible] | – | 46560 |

**Pegasus Assurance Ltd**

[illegible]

## OFFSHORE INSURANCES

[illegible]

## MANAGEMENT SERVICES

[illegible]

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

[illegible]

### CANADA (SIB RECOGNISED)

[illegible]

### GUERNSEY (SIB RECOGNISED)

[illegible]

### GUERNSEY (REGULATED)(**)

[illegible]

### IRELAND (SIB RECOGNISED)

[illegible]

### IRELAND (REGULATED)(**)

[illegible]

### ISLE OF MAN (SIB RECOGNISED)

[illegible]

# FT MANAGED FUNDS SERVICE

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| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **CMI Fund Managers (IoM)** | | | | |
| Clerical Medical Hse, Douglas, IoM 0624 625599 | | | | |
| High Income 5 | 0.4779 | 0.4779 | 0.5031 10.38 | 47293 |
| **CMI Core Portfolio Fund** | | | | |
| UK 5 | £- 1.0262 | 1.0963 | - | 47540 |
| USA 5 | £- 1.0381 | 1.1010 | - | 47541 |
| Japan 5 | £- 0.4661 | 0.4920 | - | 47539 |
| **Equity & Law Intl Fund Mngrs Ltd** | | | | |
| Victory Hse, Prospect Hill Douglas IoM 0624 677877 | | | | |
| Total Income Fd 5 | 95.70 | 95.95 100.98 | 10.2 | 41566 |
| **Gartmore Fund Managers (IoM)** | | | | |
| PO Box 32, Douglas, IoM 0624 627610 | | | | |
| Intl Grth 5¼ | 479.2 | 479.2 513.6 | 0.9 | 45095 |
| **Leopold Joseph Fund Mngrs (IoM) Ltd** | | | | |
| PO Box 52 Athol St Douglas IoM 0624 661020 | | | | |
| L J International 5¼ | 91.52 | 91.52 98.45 | - | 46804 |
| **Mercury Fund Managers IoM Ltd** | | | | |
| 11 Hill Street Douglas IoM 0624 662256 | | | | |
| Merc Intl Fund 5 | 101.1 | 101.1 107.9 | 7.1 | 49970 |
| Merc Intl Bond 5 | 50.22 | 50.22 52.78 | 8.3 | 49971 |
| **Sun Life Management (IoM) Ltd** | | | | |
| PO Box 178, Douglas, IoM 0624 625444 | | | | |
| Secure High Income 6 | 1.0096 | 1.0096 1.0822 | 8.32 | 47486 |
| **Unibank Scandinavian Fund Ltd** | | | | |
| 23 Bucks Road Douglas, IoM 06246 26484 | | | | |
| Scandinavian Fd 5 | - | 140.47 149.78 | 1.0 | 45223 |

## ISLE OF MAN (REGULATED)

[illegible]

## JERSEY (SIB RECOGNISED)

[illegible]

## JERSEY (REGULATED)

[illegible]

## LUXEMBOURG (SIB RECOGNISED)

[illegible]

## LUXEMBOURG (REGULATED)

[illegible]

## SWITZERLAND (SIB RECOGNISED)

[illegible]

## OTHER OFFSHORE FUNDS

[illegible]

### MANAGED FUNDS NOTES

[illegible]

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES AND MONEY MARKETS

# To cut or not to cut

WITH STERLING still riding high from last week's shock Conservative victory, debate this week in the markets will doubtless continue to focus on the chances for a cut in UK base rates, *Emma Tucker writes.*

**UK clearing bank base lending rate 10.5 per cent from September 4, 1991**

In the heat of the election's aftermath let it not, after all, be forgotten that Britain is still struggling to come out of a deep recession and a cut in the cost of borrowing would help beleaguered businesses invest for future growth.

Key economic data out this week may well be disappointing. Although manufacturing output and imports should show signs of recovery, M4 lending and retail sales may not.

But with a five year mandate secured, the political pressure to cut base rates has been lifted off the shoulders of the Conservative government, and they may decide to wait for the pound to strengthen before they even consider a further reduction.

According to Mr Chris Dillow at Nomura Research Institute, views on sterling divide into two camps - those who expect an early base rate cut and those who expect the Conservatives to fulfil their promise to take sterling into the narrow band of the ERM at a central rate of DM2.95.

"The former camp are likely to be disappointed," says Mr Dillow. "With German interest rates unlikely to fall until next year, the effective floor for UK rates will remain high. In this context, cuts in rates by Japan and the US would not help UK rates down. Indeed, quite the opposite, if they weaken sterling against the DM."

Another important factor determining the government's behaviour should be the memory factor. Mr Nigel Lawson, the then chancellor, eased policy after the general election in 1987, to, eventually, disastrous effect.

## £ IN NEW YORK

| Apr.10 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.7650-1.7660 | 1.7630-1.7640 |
| 1 month | 0.96-0.94pm | 0.96-0.94pm |
| 3 months | 2.67-2.64pm | 2.88-2.84pm |
| 12 months | 9.10-9.00pm | 10.05-9.90pm |

Forward premiums and discounts apply to the US dollar

## CURRENCY MOVEMENTS

| Apr 10 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 91.2 | -21.0 |
| U.S Dollar | 64.2 | -14.2 |
| Canadian Dollar | 100.9 | -1.4 |
| Austrian Schilling | 110.4 | +12.5 |
| Belgian Franc | 111.7 | -1.6 |
| Danish Krone | 109.1 | +3.3 |

## STERLING INDEX

## OTHER CURRENCIES

## CURRENCY RATES

## CHICAGO

## POUND SPOT - FORWARD AGAINST THE POUND

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

## EXCHANGE CROSS RATES

## EURO-CURRENCY INTEREST RATES

## FT LONDON INTERBANK FIXING

## MONEY RATES

## LONDON MONEY RATES

## LONDON RECENT ISSUES

## FIXED INTEREST STOCKS

## RIGHTS OFFERS

## BANK OF ENGLAND TREASURY BILL TENDER

## WEEKLY CHANGE IN WORLD INTEREST RATES

## MONEYMARKETFUNDS

### Money Market Trust Funds

### Money Market Bank Accounts

NOTES– Gross. Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

## FINANCIAL TIMES STOCK INDICES

| | Apr 10 | Apr 9 | Apr 8 | Apr 7 | Apr 6 | Apr 3 | 1991/92 High | 1991/92 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 88.19 | 86.00 | 85.61 | 85.37 | 85.18 | 85.18 | 88.55 | 82.17 | 127.4 | 49.18 |
| Fixed Interest | 101.75 | 99.44 | 99.11 | 98.85 | 98.41 | 98.26 | 101.75 | 90.50 | 105.4 | 50.53 |
| Ordinary | 2001.1 | 1885.7 | 1854.7 | 1865.3 | 1859.2 | 1851.4 | 2108.3 | 1608.3 | 2108.3 | 49.4 |
| Gold Mines | 114.5 | 112.3 | 111.5 | 116.2 | 117.4 | 118.1 | 222.8 | 111.5 | 734.7 | 43.5 |
| FT Act All-Share | 1232.15 | 1163.91 | 1144.85 | 1150.09 | 1148.96 | 1142.45 | 1284.07 | 987.48 | 1284.07 | 61.92 |
| FT-SE 100 | 2572.6 | 2436.4 | 2383.2 | 2404.2 | 2400.9 | 2382.7 | 2679.8 | 2054.8 | 2679.6 | 986.9 |
| FT-SE Eurotrack 100 | 1155.74 | 1140.98 | 1143.45 | 1156.82 | 1155.59 | 1144.60 | 1176.44 | 900.45 | 1176.44 | 900.45 |
| FT-SE Eurotrack 200 | 1187.54 | 1149.42 | 1145.47 | 1184.11 | 1151.11 | 1187.54 | 1200.08 | 938.62 | 1200.08 | 938.62 |

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

## LONDON SHARE SERVICE

### BRITISH FUNDS

### BRITISH FUNDS - Cont.

### BRITISH FUNDS - Cont.

### OTHER FIXED INTEREST







## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 10.5 | Credit Lyonnais | 10.5 | McDonnell Douglas Bnk | 10.5 |
| Allied Trust Bank | 10.5 | Cyprus Popular Bk | 10.5 | Midland Bank | 10.5 |
| AIB Bank | 10.5 | Duncan Lawrie | 10.5 | Mount Banking | 10.5 |
| ● Henry Ansbacher | 10.5 | Equatorial Bank plc | 10.5 | NatWestminster | 10.5 |
| B & C Merchant Bank | 10.5 | Exeter Bank Limited | 11 | Northern Bank Ltd | 10.5 |
| Bank of Baroda | 10.5 | Financial & Gen. Bank | 11 | Nykredit Mortage Bank | 11 |
| Banco Bilbao Vizcaya | 10.5 | First National Bank Plc. | 14 | Provincial Bank PLC | 14 |
| Bank of Cyprus | 10.5 | ● Robert Fleming & Co. | 10.5 | Roxburghe Bank Ltd. | 11.5 |
| Bank of Ireland | 10.5 | Robert Fraser & Ptnrs. | 11 | Royal Bk of Scotland | 10.5 |
| Bank of India | 10.5 | Girobank | 10.5 | ● Smith & Williamson Secs | 10.5 |
| Bank of Scotland | 10.5 | ● Guinness Mahon | 10.5 | Standard Chartered | 10.5 |
| Banque Belge Ltd | 10.5 | ● Hambros Bank | 10.5 | TSB | 10.5 |
| Barclays Bank | 10.5 | Hampshire Trust Plc | 13.5 | Unibank plc | 10.5 |
| Benchmark Bank | 11 | Heritable & Gen Inv Bnk. | 10.5 | ● United Bk of Kuwait | 10.5 |
| Brit Bk of Mid East | 10.5 | ● Hill Samuel | 10.5 | Unity Trust Bank Plc | 10.5 |
| ● Brown Shipley | 10.5 | C. Hoare & Co. | 10.5 | Western Trust | 10.5 |
| CL Bank Nederland | 10.5 | Hongkong & Shanghai | 10.5 | Westpac Bank Corp. | 10.5 |
| Citibank NA | 10.5 | Julian Hodge Bank | 10.5 | Whiteaway Laidlaw | 10.5 |
| City Merchants Bank | 10.5 | ● Leopold Joseph & Sons | 10.5 | Yorkshire Bank | 10.5 |
| Clydesdale Bank | 10.5 | Lloyds Bank | 10.5 | | |
| Co-operative Bank | 10.5 | Meghraj Bank Ltd | 10.5 | | |
| Coutts & Co | 10.5 | | | | |

● Members of British Merchant Banking & Securities Houses Association

## AMERICANS

| | Notes | Price £ | Wk's change | Div gross | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|
| Abbott Labs | | 34⅞xd | –5 | $1.20 | FeMyAuNv | 6.4 | 1503 |
| ♥Allegheny & W | | 257p | –12.9 | 30c | – | – | – |
| Amdahl | | 847p | –3.5 | 10c | NvMrJeAu | 31.1 | – |
| Amer Cyanamid | | 34⅝ | –3.5 | $1.50 | MrJeSeDe | 4.3 | – |
| Amer Express | | 12⅞xd | –7.3 | $1.00 | FeMyAuNv | 31.3 | 1594 |
| Amer T & T | | 23xd | –2.1 | $1.32 | FeMyAuNv | 27.3 | 1597 |
| Ameritech | | 32⅜ | –.6 | $3.52 | FeMyAuNv | 29.3 | – |
| BankAmerica | | 21⅞xd | –9.9 | $1.30 | FeMySeDe | 20.2 | 1744 |
| Bankers NY | | 28⅝xd | –7.4 | $1.52 | ApJyOcJa | 27.12 | 1745 |
| Bell Atlantic | | 23⅛ | –2.6 | $2.60 | FeMyAuNv | 4.7 | – |
| BellSouth | | 25 | –2.0 | $2.76 | FeMyAuNv | 5.4 | – |
| ♥Bethlehem Steel | | 7⅜xd | –9.9 | – | MrJeSeDe | 6.2 | 1821 |
| Bowater | | 1313pxd | –6.0 | $1.20 | OcJaApJy | 9.3 | 1884 |
| CPC | | 47⅜xd | –3.5 | $2.40 | JaApJyOc | 30.3 | 2263 |
| California Engy | | 866p | –5.9 | – | – | – | – |
| Campbell Soup | | 19 | –7.0 | 78c | OcJaApJy | 24.12 | 2050 |
| Chase Manhattan | | 12⅛xd | –8.5 | $1.20 | FeMyAuNv | 24.1 | 2109 |
| Chrysler | | 9⅞xd | –7.8 | 60c | ApJyOcDe | 11.3 | 2135 |
| Chicorp | | 9⅞xd | –6.2 | – | – | 23.10 | 2141 |
| Colgate-Palm | | 25⅛xd | –7.1 | $1.08 | FeMyAuNv | 22.1 | 2184 |
| Cont'l Bank | | 953p | –1.9 | 60c | DeMrJeSe | 31.5 | – |
| Dana | | 21⅛xd | –4.0 | $1.60 | MrJeSeDe | 26.2 | 2305 |
| Data General | | 515p | –2.8 | – | – | – | – |
| Dial | | 21⅛xd | –2.9 | $1.12 | JaApJyOc | 20.3 | 2776 |
| Dun & Brad | | 30⅛ | –4.4 | $2.16 | MrJeSeDe | 13.2 | – |
| Eaton | | 42⅛ | 1.5 | $2.20 | FeMyAuNv | 2.2 | 2410 |
| Echlin | | 9⅞xd | –6.2 | 70c | JaApJyOc | 2.4 | 3046 |
| FPL | | 18½xd | –3.8 | $2.40 | MrJeSeDe | 25.2 | – |
| Fluor | | 21xd | –2.3 | 48c | JaApJyOc | 19.3 | 2609 |
| Ford Motor | | 21⅞xd | –4.8 | $1.60 | MrJeSeDe | 28.1 | 2615 |
| Gen Elect | | 41xd | –4.6 | $2.20 | JaApJyOc | 4.3 | 2675 |
| ♥General Host | | 472p | –5.0 | 34c | – | 12.12 | – |
| Gillette | | 28⅞xd | –4.4 | 62c | MrJeSeDe | 29.1 | 2685 |
| Hasbro | h | 14½ | 5.5 | 13.3c | JaApJyOc | 1.9 | – |
| Honeywell | | 39⅝xd | –6.5 | $1.65 | MrJeSeDe | 25.2 | 2919 |
| Houston Inds | | 22⅞ | –0.6 | $2.96 | MrJeSeDe | 10.11 | – |
| IBM | | 47⅝xd | – | $4.84 | MrJeSeDe | 5.5 | 2986 |
| Ingersoll-Rand | | 31⅝xd | –8.7 | $1.32 | MrJeSeDe | 13.2 | 2979 |
| Lockheed | | 24⅞ | –2.9 | $2.80 | MrJuSeDe | 15.2 | – |
| Lowe's | | 2068p | –4.8 | 56c | JaApJyOc | 11.7 | – |
| Merrill Lynch | | 27⅞xd | –8.4 | $1.00 | FeMyAuNv | 30.4 | 3351 |
| Morgan (JP) | | 29⅞xd | –8.1 | $2.16 | JaApJyOc | 16.3 | 3418 |
| Morris (Philip) | | 42⅞xd | –3.8 | $2.10 | JaApJyOc | 11.12 | 5161 |
| NYNEX | | 40 | –1.2 | $4.64 | FeMyAuNv | 27.8 | 4740 |
| ♥Pac Agric | | 82p | 23.8 | – | – | – | – |
| Pall | | 14⅛ | –3.4 | 38c | FeMyAuNv | 24.1 | – |
| Pennzoil | | 25⅜xd | – | $3.00 | MrJeSeDe | 28.2 | 3630 |
| Quaker Oats | | 29½xd | –6.3 | $1.72 | JyOcJaAp | 17.3 | 3738 |
| Rockwell | | 13⅜xd | 0.9 | 92c | MrJeSeDe | 12.2 | 3847 |
| Rep NY | | 22⅞ | –3.2 | $1.00 | JaApJySe | 10.3 | 3814 |
| Sears, Roebuck | | 25xd | –7.2 | $2.00 | JaApJyOc | 25.2 | 5191 |
| Sthwestern Bell | | 32⅞ | –2.3 | $2.92 | MyAuNvFe | 4.7 | – |
| Sun Co | | 15⅝xd | –4.2 | $1.80 | MrJeSeDe | 5.2 | 4135 |
| Tenneco | | 20⅞xd | –5.8 | $1.60 | MrJeSeDe | 11.2 | – |
| Texaco | | 33⅞xd | 0.8 | $3.20 | MrJeSeDe | 30.1 | 4200 |
| Time Warner | | 54⅞xd | –7.0 | $1.00 | MrJeSeDe | 19.2 | 4234 |
| ♥Unilab | | 455p | –2 | – | – | – | – |
| Utd Tech | | 29½xd | –2.8 | $1.80 | MrJeSeDe | 20.2 | 4361 |
| ♥Utilitech | | 122p | 17 | – | – | – | – |
| ♦URS Intl 1c | | 8⅛p | 50.0 | – | October | 21.7 | 4364 |
| US West | | 19 | –3.6 | $2.12 | FeMyAuNv | 14.4 | – |
| Varity | | 741p | –2.9 | – | – | 11.77 | – |
| Waste Manage | | 20⅞xd | –3.2 | 44c | ApJyOcJa | 13.3 | 4438 |
| Whirlpool | | 2477pxd | –1.1 | $1.10 | MrJeSeDe | 4.3 | – |
| ♥Woolworth | | 16⅞ | –6.1 | $1.00 | MrJeSeDe | 20.1 | 4540 |

## CANADIANS

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## BUILDING MATERIALS - Cont.

## BUSINESS SERVICES

## CHEMICALS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## CONTRACTING & CONSTRUCTION - Cont.

## ELECTRICALS

## ELECTRICITY

## ELECTRONICS

## ENGINEERING – AEROSPACE

## ENGINEERING – GENERAL

## ENGINEERING – GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HEALTH & HOUSEHOLD - Cont.

## HOTELS & LEISURE

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## LONDON SHARE SERVICE

### INVESTMENT TRUSTS - Cont.

[illegible]

### INVESTMENT COMPANIES

[illegible]

### MEDIA

[illegible]

### MERCHANT BANKS

[illegible]

### METALS & METAL FORMING

[illegible]

### MISCELLANEOUS

[illegible]

### MOTORS

[illegible]

### OIL & GAS

[illegible]

### OIL & GAS - Cont.

[illegible]

### OTHER FINANCIAL

[illegible]

### OTHER INDUSTRIAL MATERIALS

[illegible]

### PACKAGING, PAPER & PRINTING

[illegible]

### PACKAGING, PAPER & PRINTING - Cont.

[illegible]

### PROPERTY

[illegible]

### STORES

[illegible]

### STORES - Cont.

[illegible]

### TELEPHONE NETWORKS

[illegible]

### TEXTILES

[illegible]

### TRANSPORT

[illegible]

### WATER

[illegible]

### SOUTH AFRICANS

[illegible]

### PLANTATIONS

[illegible]

### MINES

[illegible]

### MINES - Cont.

[illegible]

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International.
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ◊ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- § Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend includes a special payment: Cover does not apply to special payment. E Minimum tender price. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

## FT Share Service

The following changes have been made to the FT Share Information Service:

Deletions: ATP Communications (Section, Business Services), Radiant Metal (Metal & Metal Forming) and Oliver Group RFD (Stores)

4:00 pm prices April 10

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -



Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

| 1992 High | 1992 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 28 | 21¾ | Ryland Grp x | 0.60 | 2.6 | 42 | 886 | 23½ | 22⅞ | 22⅞ | +⅛ |

- S -

| 1992 High | 1992 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 21 | 17½ | S Anita Rt | 1.72 | 9.7 | 19 | 35 | 17⅞ | 17⅝ | 17¾ | -⅛ |
| 18⅞ | 15¼ | SCOR US Cp | 0.28 | 1.6 | 9 | 80 | 17 | 16⅞ | 16⅞ | -⅛ |
| 29½ | 24¾ | SPS Techno | 1.28 | 4.9 | 20 | 53 | 26½ | 26¼ | 26¼ | -½ |
| 1 | ⅝ | Saatchi&S | 0.79 | 20.3 | | 11573 | [illegible] | [illegible] | [illegible] | [illegible] |
| 13 | 12⅛ | Sabine Rt x | 1.41 | 11.0 | 8 | 15 | 12⅞ | 12¾ | 12¾ | -⅛ |
| 11⅞ | 9 | Safecard | 0.15 | 1.5 | 9 | 802 | 10⅜ | 9¾ | 10¼ | +⅛ |
| 16 | 12⅛ | Safeg'd Sc | | | 6 | 14 | 13⅞ | 13⅞ | 13⅞ | |
| 28¾ | 22⅝ | SafetyKln | 0.34 | 1.2 | 31 | 1874 | u29 | 27⅛ | 28⅞ | +1⅞ |
| 20¼ | 14⅞ | Safeway | | | 31 | 688 | 15 | d14⅞ | 15 | |
| 4⅝ | 3⅛ | SafewayW96 | | | | z100 | 3¼ | 3¼ | 3¼ | |
| 41⅞ | 29⅞ | StJoePaper | 0.20 | 0.5 | 41 | 43 | 37⅝ | 37½ | 37⅝ | +⅛ |
| 34¾ | 31⅞ | StJoeL&P | 1.72 | 5.5 | 12 | 6 | 31⅜ | 31¼ | 31⅜ | +⅛ |
| 75¼ | 68¼ | St Paul's | 2.72 | 3.9 | 7 | 495 | 70⅜ | 69½ | 70¼ | +1 |
| 7¾ | 2⅞ | Salant Crp | | | 2 | 221 | 7⅜ | 7 | 7⅜ | +⅜ |
| 75¼ | 60½ | Sallie Mae | 1.00 | 1.4 | 19 | 4227 | 70 | 66½ | 70 | +3⅛ |
| 14¼ | 13 | Salomon Br | 1.61 | 11.8 | | 447 | 13⅝ | 13½ | 13⅝ | +⅛ |
| 32½ | 26¾ | SalomonInc | 0.64 | 2.2 | 7 | 1897 | 29⅜ | 29 | 29⅜ | +½ |
| 45⅝ | 42¼ | SanDgo G&E | 2.88 | 6.8 | 12 | 226 | 42½ | 42⅛ | 42¼ | +⅛ |
| 3⅞ | 2⅜ | SantaFeEDu | 0.40 | 13.8 | 23 | 7 | 3 | 2⅞ | 2⅞ | +⅛ |
| 9¼ | 7 | SantaFeERs | 0.16 | 1.9 | 28 | 519 | 8⅜ | 8⅜ | 8⅜ | -⅛ |
| 38⅝ | 30¼ | SantaFePac | 2.76 | 8.7 | 10 | 64 | 31¾ | 31½ | 31¾ | +⅛ |

[illegible]

- T -

| 1992 High | 1992 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 1½ | ⅞ | TacomaBoat | | | 0 | 49 | [illegible] | [illegible] | [illegible] | [illegible] |
| 30⅞ | 24½ | Taiwan Fd | | | | 107 | [illegible] | [illegible] | [illegible] | [illegible] |
| 4¼ | 2¾ | Talleyind | 0.20 | 8.4 | 0 | 29 | [illegible] | [illegible] | [illegible] | [illegible] |
| 7½ | 5 | Talley Pf | 1.00 | 17.8 | | 4 | [illegible] | [illegible] | [illegible] | [illegible] |
| 70½ | 58⅞ | Tambrands | 1.36 | 2.3 | 31 | 941 | [illegible] | [illegible] | [illegible] | [illegible] |
| 15⅝ | 11 | Tandem | | | 20 | 3273 | [illegible] | [illegible] | [illegible] | [illegible] |
| 31⅛ | 26 | Tandy Corp | 0.60 | 2.2 | 12 | 2032 | [illegible] | [illegible] | [illegible] | [illegible] |
| 13 | 11⅞ | Tatma Mex x | 0.88 | 7.0 | | 12 | [illegible] | [illegible] | [illegible] | [illegible] |
| 41½ | 38 | Teco Energ | 1.72 | 4.6 | 14 | 2821 | [illegible] | [illegible] | [illegible] | [illegible] |
| 22⅞ | 16½ | Tektronix x | 0.60 | 3.1 | 14 | 423 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1½ | ⅞ | Telecom Cp | | | 2 | 16 | [illegible] | [illegible] | [illegible] | [illegible] |
| 28¾ | 19⅝ | Teledyne | 0.80 | 3.6 | 47 | 1506 | [illegible] | [illegible] | [illegible] | [illegible] |
| 38⅞ | 30⅞ | TeleEspSA | 1.44 | 4.5 | | 61872 | [illegible] | [illegible] | [illegible] | [illegible] |
| 60 | 45¾ | Telmex ADR | | | | 3081 | [illegible] | [illegible] | [illegible] | [illegible] |
| 57½ | 50 | Templeind | 0.88 | 1.8 | 20 | 946 | [illegible] | [illegible] | [illegible] | [illegible] |
| 24 | 21 | TempltEmMk | 3.90 | 18.0 | | 242 | [illegible] | [illegible] | [illegible] | [illegible] |
| 9¾ | 8⅞ | TempltGlob | 0.84 | 9.1 | | 102 | [illegible] | [illegible] | [illegible] | [illegible] |
| 9⅝ | 8⅞ | TempltGlFd x | 0.84 | 9.5 | | 671 | [illegible] | [illegible] | [illegible] | [illegible] |
| 40½ | 31⅛ | Tennecoinc | 1.60 | 4.4 | | 81363 | [illegible] | [illegible] | [illegible] | [illegible] |
| 21⅝ | 19½ | Teppco Pts | 2.20 | 10.4 | 15 | 97 | [illegible] | [illegible] | [illegible] | [illegible] |
| 20⅜ | 13⅞ | Teradyne | | | 26 | 1041 | [illegible] | [illegible] | [illegible] | [illegible] |
| 16½ | 12⅜ | Terex | 0.08 | 0.4 | 4 | 285 | [illegible] | [illegible] | [illegible] | [illegible] |
| 6⅝ | 4⅝ | Tesoro Pet | | | 6 | 16 | [illegible] | [illegible] | [illegible] | [illegible] |
| 68⅝ | 58⅛ | Texaco | 3.20 | 5.4 | 12 | 4333 | [illegible] | [illegible] | [illegible] | [illegible] |
| 54½ | 52 | Texaco C | 3.73 | 7.1 | | 2 | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

| 1992 High | 1992 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | Xerox | 3.00 | 4.2 | 10 | 1615 | 74½ | 72¾ | 72¾ | -2 |
| 63½ | 50½ | Xerox4.125 | | | | 2 | 62 | 62 | 52½ | +½ |
| 28½ | 24⅞ | Xtra 1.94 | 1.94 | 7.1 | | 58 | 27¼ | 27 | 27¾ | +⅝ |
| 37 | 28½ | Xtra Corp | 0.80 | 2.3 | 14 | 283 | 34¼ | 33⅝ | 34⅛ | +⅛ |
| 27 | 25¼ | Yankee Egy | 1.50 | 6.0 | 12 | 5 | 26⅝ | 26½ | 26½ | -⅛ |
| 1½ | ½ | Zapata | | | 23 | 116 | 1⅛ | 1⅛ | 1⅛ | |
| 11⅞ | 7¾ | ZenithElec | | | | 42411 | 9 | 8½ | 8⅝ | |
| 17¼ | 14½ | Zenith Nat | 1.00 | 6.3 | 6 | 87 | 15⅝ | 15⅝ | 15⅝ | |
| 6⅞ | 6 | Zenix Inc | 0.85 | 12.8 | | 75 | u6⅞ | 6⅝ | 6⅝ | |
| 13¼ | 11⅛ | Zero Corp | 0.40 | 3.4 | 16 | 30 | 12⅞ | 11⅞ | 11⅞ | -⅛ |
| 38 | 32¾ | Zurn Ind | 0.88 | 2.7 | 14 | 486 | 33⅜ | d32⅝ | 32⅝ | -⅛ |
| 14½ | 12¾ | Zweig Fund x | 1.16 | 8.9 | | 229 | 13 | 12⅞ | 13 | +⅛ |
| 11 | 9⅝ | Zweig Tot x | 1.00 | 9.6 | | 650 | 10½ | 10⅜ | 10½ | |

*Price data supplied by Telekurs.*

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

*4:00 pm prices April 10*

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# NASDAQ NATIONAL MARKET

*4:00 pm prices April 10*

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Clarke to Home Office: Heseltine realises ambition at trade and industry; Mellor, heritage; Waldegrave to steer Charter; Sir Patrick Mayhew, Northern Ireland

The prime minister has named a consensual, rather than conviction, cabinet, writes **Philip Stephens**

# A cautious step into the future

It marks out a new direction. But in the cautious manner of the man who shaped it, Mr John Major's new cabinet represents a carefully-constructed bridge to the future rather than a decisive break with the past.

There are plenty of changes around the cabinet table. Fewer than half a dozen Whitehall departments will wake up this morning to find the same minister in charge.

There were the predictable departures of some of the old guard, Mr Kenneth Baker and Mr Tom King among them. Younger ministers kept outside Mrs Margaret Thatcher's inner circle because they were never "One of us" have been given their chance. Mr John Patten's promotion to secretary of state for education gives a barely reconstructed "wet" one of the most high-profile roles in the new government.

With the appointments of Mrs Virginia Bottomley to health and Mrs Gillian Shephard to employment, Mr Major has lived up to his promise to open to women the highest ranks of his government.

Two new Whitehall departments have been established – the national heritage ministry headed by Mr David Mellor and the civil service and Citizen's Charter department under Mr William Waldegrave. Mr Mellor's responsibility for broadcasting will give him oversight of the renewal of the BBC's charter.

**Mr Major ignored those urging a more radical shake-up centred on Mr Lamont's leaving No 11 Downing Street**

Overall, Mr Major's choices reflect the judgment of a politician whose own journey to Downing Street owed everything to a calculated talent for making friends rather than enemies right across the ideological divides of his party.

Mr Douglas Hurd will stay at the Foreign Office. His immediate task is to steer Britain through its presidency of the European Community in the second half of this year. More surprisingly, Mr Norman Lamont remains at the Treasury. Mr Peter Lilley was moved rather than sacked. So was Mr Waldegrave.

In the background, Mr Richard Ryder retains his formidable influence as chief whip and Mr John Wakeham's elevation to the House of Lords will give him a continuing role as government fixer.

If the team can be given a single, if rather outdated, label it is that of "dry on economic and wet on social policy".

The prime minister will never again be as powerful as in the immediate aftermath of his first election triumph. But circumstances as well as his cautious political instincts dictated that he moved only half way to the cabinet with which he will fight the next general election.

Mr Chris Patten, the Conservative party chairman deprived of his seat in Bath, will be back. The message from Downing Street is that the prime minister has assured him that as soon as he returns to the House of Commons he will be guaranteed to one of the most senior jobs in the government.

The gossip among his colleagues is that two or three years hence, Mr Patten will be foreign secretary or chancellor. Mr Lamont has not been guaranteed tenure at No 11 Downing Street for a full parliament. Mr Douglas Hurd expects to retire from the foreign office before the next election.

Two other casualties of this election – Mr John Maples and Mr Francis Maude – had been pencilled in for promotion. They will have strong claims on cabinet seats if and when by-elections offer a chance to return to Westminster.

Mr Michael Heseltine's move to trade and industry, a just reward for his vigorous role in the the election campaign, will confirm his powerful influence in the new Major government.

Anyone who has even glanced at his books and speeches on the subject of industrial policy will realise that he will not be content with the minimalist role mapped out for the DTI in recent years by Mr Nicholas Ridley and Mr Peter Lilley.

There will be a cautious start. Mr Heseltine is shrewd enough not to fall into the trap of being type-cast as a promoter of 1960s-style corporatism. But he is said to remain as convinced as ever that many of Britain's competitors owe their industrial success to active – he would prefer "enabling" – government.

The transfer to the DTI of policy towards small businesses, a new role in forging links with the training and enterprise councils and its additional responsibility for energy, will give him one of the most powerful bases in Whitehall.

So too will the growing importance of European regional policy implicit in progress towards economic and monetary union. Mr Heseltine's enthusiasm for European-wide industrial co-operation has not diminished.

Elsewhere, Mrs Bottomley's appointment, alongside the promotion of Mr John Patten to education, puts the two most visible departments of the welfare state in the hands of politicians wedded firmly to One-Nation Conservatism.

They are charged with pressing on with the market-based reforms of health and education started by Mrs Thatcher. But their left-leaning credentials will help reassure patients and parents that the final destination is no longer the dismantling of public-sector provision. It was no coincidence that Downing Street was at pains this weekend to point out that Mr Patten, a former grammar school-boy and Oxford don, sends his own young daughter to a state school.

Mr Kenneth Clarke's move to the Home Office is more complicated. Though one of the three great departments of state, it is often viewed as a graveyard. Mr Heseltine turned it down in favour of environment in Mr Major's first cabinet.

But in Mr Clarke's case, the appointment confirms rather than diminishes his influence. A liberal on social policy, he will be expected to implement the recommendations of the royal commission on criminal justice when it reports later this year.

His other, more Thatcherite, persona as a self-declared enemy of the trades unions, promises an effort to weaken the power of the prison offices and the police federation, both largely untouched during the 1980s. Mr Clarke wants to be chancellor, and success at the Home Office might prove to be his route.

**Mr Patten's and Mrs Bottomley's left-leaning credentials indicate public-sector provision will stay**

If there was a surprise appointment it was Mr Malcolm Rifkind's promotion to defence. Like Mr Clarke, he backed Mr Hurd in the leadership battle which followed Mrs Thatcher's demise.

For months before the election he was embroiled in a serious dispute with Mr Major over rail privatisation – the responsibility for which now passes to Mr John MacGregor.

But Mr Major is said to be impressed by his abilities. If he manages successfully the cuts in the armed forces outlined in Options for Change, the 45-year-old Mr Rifkind will confirm his position as a future candidate for the party leadership.

If it is possible to identify the key figures – with Messrs Hurd, Heseltine, Clarke and Rifkind most prominent among them – it is harder to draw a single philosophical thread through the new cabinet.

The ascendancy of the what one right-wing MP yesterday called the "foppish" tendency in some of the main spending Whitehall spending departments has been balanced by the line-up at the Treasury.

Mr Lamont's re-appointment as chancellor is a signal to the right of the Conservative party that Mr Major means what he says about the defeat of inflation. It ensures also that a prominent Euro-sceptic remains at the heart of negotiations with Brussels on progress towards a single European currency.

The promotion to chief secretary of Mr Michael Portillo, at 38 already judged the right's most likely candidate for the party leadership in five or 10 years time, provides further reassurance.

Mr Portillo, charged with holding the Treasury's purse strings, is a self-confessed tax cutter rather public spender. Mr Heseltine will not find it easy to persuade him that the Treasury's money is better spent on regional policy than on lowering the basic rate of income tax or reducing the public borrowing requirement.

The same message that the Tory right will remain well represented was sent by the promotion of Sir Patrick Mayhew to Northern Ireland and of Mr Michael Howard to environment.

Sir Patrick's appointment is a signal to Dublin that the prime minister's anxiety for a negotiated settlement in Ulster does not extend to undermining the Unionist case.

Mr Howard, whose fierce attacks on Labour's links with the trades unions put him at the heart of the election campaign, can now claim a place in the ministerial first division.

So it is a cabinet of checks and balances, designed to allow Mr Major to set his own agenda for the 1990s without compromising unity in his party.

# Farewell Asimov, prince of Sci-Fi

**MICHAEL PROWSE**
on America

I may be wrong, but I suspect most British intellectuals – certainly those with literary pretensions – have nothing but disdain for Isaac Asimov, the prolific American science fiction writer. Asimov is associated with ray guns, lurid covers and worthless prose. It may come as a surprise, therefore, that his death last week was marked by long, appreciative obituaries in leading US newspapers. The Washington Post honoured his passing with an editorial.

My own view of Asimov, I confess, is far from objective. In the late 1960s, at the age of about 12, I became addicted to science fiction. I remember, for example, being utterly absorbed by Asimov's famous Foundation trilogy, which described the fall of a future Galactic Empire and efforts by social scientists to head off a feared descent into 30,000 years of barbarism. Asimov later admitted that the Foundation stories were inspired by Gibbon's Decline and Fall of the Roman Empire, which he had read twice as a young man. But the name Gibbon would have meant nothing to me then.

Asimov, of course, was more than just a sci-fi writer. From his mid-30s he was motivated mainly by a desire to make complex ideas accessible to lay readers. Working at a frenetic pace, he produced nearly 500 books, mostly nonfiction. He seemed able to master just about any subject, turning out Asimov "guides" on topics as diverse as atomic physics, neurology, the Bible, Greek culture and Shakespeare. Marvelling at his energy, the Post editorial hails him as a throwback to earlier centuries when scholars had the confidence to embrace all branches of human knowledge.

I share the Post's admiration for his phenomenal range. But I cannot help wondering whether an English Asimov would be feasible: the American writer surely benefited from the greatest virtue of American education: the lack of specialisation at high schools and colleges.

Asimov embodied several American virtues. He raised himself by hard graft as much as by intellect, typically working a 15-hour day. (His parents, poor Russian immigrants, provided a fine example, keeping their Brooklyn candy store open from 6am to 1am, seven days a week.) He was intensely individualistic, writing about space travel but refusing to fly, indifferent to his considerable wealth, and conspicuous only for bushy white sideburns that looked almost as odd as the pointed ears of Mr Spock of Star Trek fame. He was a democrat with a small "d", writing without condescension for often poorly educated readers. Above all, he reflected modern America's infatuation with science and technology: it always amazes me that routine flights of the space-shuttle rate top billing on TV and radio.

What value, however, should we place on Asimov, the sci-fi writer? By normal literary standards, his work is indeed thin gruel; characters are poorly developed and his use of language lacks sophistication. Yet contempt for sci-fi is often misplaced. In a sympathetic recent assessment in the Atlantic magazine, Mr Thomas Disch, a US theatre critic and sci-fi writer, argues that the genre should be understood – and hence judged – primarily as a form of children's fiction. This seems too harsh: the huge sales of sci-fi books and the dazzling success of movies such as Star Wars, ET, Blade Runner and Back to the Future demonstrates its appeal to adults. A better way to characterise sci-fi is to say that it is dedicated to the exploration of ideas. It hardly matters if the human beings are wooden because they are often of secondary importance.

Asimov produced his best fiction in the 1940s and 1950s, a period of extraordinary creativity for sci-fi. Many of the ideas were far ahead of their time. Asimov, for example, coined the term robotics and invented laws for programming androids' brains when the electronic computer was in its infancy and long before artificial intelligence existed as an academic discipline. He conceived worlds where holograms were so perfect that human beings ceased to interact physically. His compatriot James Blish imagined engines and force-fields that would allow US cities such as New York to break free from the Earth and fly anarchically through outer space. Arthur C Clarke, later famous for the movie 2001: A Space Odyssey, anticipated earth-orbiting satellites and wrote about colonising Mars.

Technology played a central role in most of the stories. But some writers engaged in social satire. Frederick Pohl, for example, satirised American consumerism in the 1950s, depicting an inverted social pyramid in which the poorer you got, the more goods and services you were forced to consume; only the ultra rich were thin and free to live in comparative austerity.

It is hard to know what spurred the creativity of Asimov and his fellow sci-fi writers. The invention of atom bombs, rockets and gadgets of all kinds must have impressed young minds. But their penchant for extravagant scientific fantasy probably also reflected the stability and dominance of US society in the post-war years – and its focus on technological rather than economic or social values. When everyday life is dull and predictable, young minds start free-wheeling. It was, after all, in the late summer of Victorian stability that young H G Wells produced such classics as The Time Machine and The War of the Worlds.

JOTTER PAD

# The weaknesses of strength

**IAN DAVIDSON**
on Europe

After last Thursday's general election, it looks as if Britain is once again the odd man out in Europe. The governments of France, Germany and Italy have all been hammered in recent elections by a wave of protest votes; the British government alone has managed to get solidly re-elected.

This striking contrast cannot be explained in terms of merit. The setback suffered by the Andreotti government in Italy may be a long-delayed and well-deserved punishment for decades of incompetent and corrupt administration. But by most ordinary yardsticks, France and Germany enjoy standards of economic management and political government which are not merely worthy, but manifestly superior to those of Britain. The return to power of the Conservatives in Britain, and the ferocity of the popular rejection of the Mitterrand administration in France, are equally difficult to justify.

These differences are relatively uninteresting, however, compared with the fact that there is now one issue common to a number of European countries, and that is the issue of constitutional reform. At first glance, this may seem a pure coincidence. In Britain, proportional representation was a hot subject when the country was facing the prospect of a hung parliament. In Italy, the question of electoral reform has forced its way on to the agenda as a result of the election disaster. In France, constitutional reform has been placed on the agenda by President Mitterrand as part of his political end-game.

Yet this coincidence may not be quite as fortuitous as it looks. First, there is a fairly obvious correlation in each of these countries between the shortcomings of government performance and the defects of the constitutional systems. In France, for example, there are some real advantages in the quasi-regal presidency; the drawback is that the president is so powerful that the government ceases to be responsible and the parliament ceases to be significant.

Second, almost every western European country will have to re-examine and perhaps reform its constitutional arrangements, in the context of the future development of the European Community. France will have to revise its constitution in order to give residents from other Community countries the vote in local French elections; Italy will have to change its budgetary machinery if it wants to keep up with monetary union in Europe.

Britain's Conservatives will naturally reject both halves of this proposition. They will, of course, claim their clear election victory last Thursday as the ultimate vindication of Britain's existing constitutional arrangements, starting with its first-past-the-post voting system. This system, unique in Europe, has once again ensured that a minority of votes produces a majority in parliament. Therefore the government can once again reject all talk of electoral reform, bills of rights, freedom of information, devolution and the protection of the citizen.

Yet the government would be making a mistake if it were to conclude that these constitutional issues, which were debated so intensely during the election campaign in anticipation of a hung parliament, can now be stuffed back in the broom closet.

During the election campaign, Mr John Major argued against proportional representation on the grounds that it would prevent "strong" government. The trouble is that strong government is either unnecessary in present circumstances, or it is disreputable. A country may need strong government in wartime, because popular sacrifices may be required which are not readily volunteered. But if there is no such national emergency, strong government is merely government for the convenience of the governors: one which has the power to impose partisan or ideological policies against the will of the people.

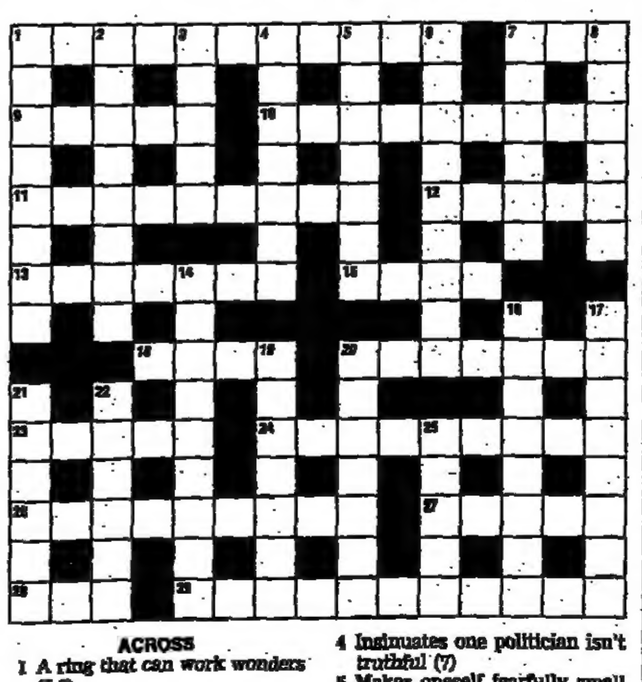
There is no shortage of suitable words to describe good government. Perhaps we need stable government; or reasonable government; or moderate government; or considerate, government; or rational, responsible or even intelligent government, for heaven's sake. What we do not need is strong government. In the past 45 years, Britain has had many bouts of strong government; just look at the results.

One reason why we do not need strong government, in Mr Major's sense, is that it is by definition highly centralised government. As it is, British government is already far too centralised, and this defect was made worse by Mrs Thatcher. Centralised government may have been appropriate for Britain and France in the era of expanding empires in the 19th century; it makes no sense for countries inside the European Community.

The future development of the Community will unavoidably mean progressive transfers of competence from national capitals to European institutions. Those transfers will be increasingly difficult to handle politically, unless national governments become more responsive to national electorates, and also counterbalance lost sovereignty through the devolution of other competences closer to the grass roots. Mr Major's victory will not protect him from the need to make constitutional changes as a counterpoint to the developing Community.

## CROSSWORD

No.7,823 Set by DANTE



**ACROSS**

1 A ring that can work wonders (5,6)
7 She needs a father figure (3)
9 Clamber on many a branch (5)
10 Chief source of interest (9)
11, 12 Platform for a revolutionary theatre? (9,5)
13 They count for nothing (7)
15 Superfluous oilwell (4)
18 Novice reporter goes to a Caribbean island (4)
20 Hold on, I can't move! (7)
23 Archer's accent? (5)
24 Crowds study the route (9)
26 Tease Eliza, upset after so much French (9)
27 The best type? (5)
28 Reduced share of the proceeds? (3)
29 Don't get confused when you notice you have a good hand (3,8)

**DOWN**

1 Dish for a Scotsman? Girl comes up with one (8)
2 Grave gives our new inscription (8)
3 Nearly everyone goes by taxi to the party (5)
4 Insinuates one politician isn't truthful (7)
5 Makes oneself fearfully small (7)
6 They don't like people avoiding their duty (9)
7 Timber producer of very high standing (6)
8 Lost form due to a rise in temperature (6)
14 It suffers periodic reversals in time (4-5)
16 Going into a long-term partnership (8)
17 It may be simple to engage one's attention (8)
19 Assign work to a writer (7)
20 Capacity to please (7)
21 Stable and attics for renovation (6)
22 Is unable to get a girl into bed (7)
25 Notable work over a period (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 25.